9 March 2017

RESTORE PLC
Full Year Unaudited Results 2016

Restore plc ("Restore" or "the Company"), the UK office services provider, announces its unaudited results for the year ended 31 December 2016.

Financial Highlights:

ADJUSTED RESULTS – Continuing operations	2016	2015	Change
Revenue	£129.4m	£91.9m	41%
EBITDA*	£29.3m	£20.4m	44%
Operating profit*	£25.0m	£17.6m	42%
Profit before tax*	£23.0m	£16.3m	41%
Earnings per share – basic **	17.9p	15.6p	15%
Dividend per share	4.0p	3.2p	25%
Net debt	£72.3m	£60.6m	

* Before discontinued operations, exceptional items (including exceptional finance costs), amortisation of intangible assets and share based payments charge.

** Calculated based on the weighted average shares in issue and a standard tax charge.

STATUTORY RESULTS – Continuing operations		
Revenue	£129.4m	£91.9m
Operating profit	£9.5m	£7.7m
Profit before tax	£7.5m	£6.1m
Earnings per share - basic	10.3p	7.0p

Summary:

- Group revenue up 41% to £129.4m
- Group adjusted profit before tax up 41% to £23.0m
- Adjusted basic earnings per share up 15% to 17.9p
- Document Management revenue up 65%; adjusted operating profit up 46%
- Relocation revenue up 6%; adjusted operating profit up 17%
- Capacity utilisation in Records Management at c90%
- Document shredding activities transformed by PHS Data Solutions acquisition
- Performance of Restore Scan significantly improved
- Integration of PHS Data Solutions on track
- Total dividend up 25% to 4.0p per share

Commenting on the results, Charles Skinner, Chief Executive, said:

"We are pleased to report another strong performance in 2016 and further strategic progress in expanding the scale of the Group's activities.

The acquisition of PHS Data Solutions was a key event in the development of our Document Management division. It has transformed our previously sub-scale document shredding business and significantly enhanced our capability in scanning. Taken together with our existing position in records management, Restore is now established as one of the two UK market leaders in each of our Document Management activities. We continue to be the market leader in our core Relocation activity.

We see scope for continued profitable growth in all of our activities. The growth prospects in our records management business remain attractive. We expect to continue to gain market share from our expanded base in shredding and scanning, both organically and through acquisition. In Relocation, we are focused on delivering further growth in revenue and operating margins.

The current year has started well and we look forward to delivering another year of strong progress in 2017."

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CHAIRMAN'S STATEMENT 2016

Results

I am pleased to report another strong performance by your Company. For the year to 31 December 2016, profit before tax, exceptional items, amortisation, discontinued operations and share-based payment charges was £23.0 million, a year-on-year increase of 41% (2015: £16.3 million). Turnover was £129.4 million (2015: £91.9 million), with a large part of the year-on-year increase reflecting acquisitions made in both 2015 and 2016. Earnings per share on an adjusted basis were up 15% at 17.9 pence (2015: 15.6 pence). The recommended final dividend is up 21% at 2.67p, making a total dividend for the year of 4.0p, up 25%.

Profit before tax on discontinued operations, which is not included above, was £9.3 million (2015: £0.2 million), primarily reflecting the disposal of the Irish operations of Wincanton Records Management.

Strategy

The areas in which we operate are coherent: Records Management (RM), Shred and Scan are all elements of Document Management. Together with Relocation, they share a similar customer base within which all of our services are generally procured by the same team or individual. We have nationwide coverage and all of our businesses operate on the same Customer Relationship Management system, which further binds our businesses together and enables cross-selling whose effectiveness can be constantly monitored. None of the main competitors in each of our individual business streams offer these other closely-related activities in a meaningful way, giving us a unique proposition to our customers. Furthermore, our focus on the UK market gives us the understanding of our customers' specific needs and the flexibility to adapt our services to these needs.

During 2016, Restore became one of two UK market leaders in key activities where we did not previously hold this position. This was achieved in large part through the acquisition of PHS Data Solutions ("PHS DS") in August, which further consolidated our position as one of the two main providers of RM services in the UK but importantly added both scale and capability to our shredding and scanning activities. In particular, it moved Restore Shred from being sub-scale in the UK shredding market to one of the two major operators. This is especially critical in a business where profitability is closely linked to route density such that scale, where operated soundly, becomes the key factor in success.

The PHS DS acquisition was the largest of three major acquisitions made in a two-year period, alongside Cintas UK (acquired in October 2014, and comprising primarily of RM and scanning) and Wincanton Records Management (acquired in December 2015, and comprising primarily of RM). These transactions, combined with several complementary smaller acquisitions, have not only driven revenue, profit and earnings per share, but have established your Company as a leading operator in UK office services, where we are either the market leader or number two in each of our main activities: RM, Shred, Scan and Relocation.

We have a strong channel to market, supplying highly valued services which provide good earnings visibility, high barriers to entry, attractive margins and significant scope to cross-sell all of the Group's services to existing customers. This also provides us with an excellent platform for further growth, both organically and by acquisition.

Trading

Our Document Management division performed well. Its turnover was £90.1 million (2015: £54.7 million) and adjusted operating profit was £22.0 million (2015: £15.1 million). The core Records Management business continued to demonstrate the strength of its financial model. Shred's performance was transformed following the integration in September of Restore Shred into the PHS DS Datashred business, now known as Restore Datashred. The combined business immediately moved to the levels of profitability previously achieved by Datashred. Scan's performance improved significantly over the course of the year as its new management team improved many of its operating practices, such that it made a meaningful operating profit during the period. We are pleased to have now fulfilled our strategic objective of having substantial and highly attractive shredding and scanning operations after several years of operating subscale enterprises in these areas.

Our Relocation division traded satisfactorily overall. Turnover was £39.3 million (2015: £37.2 million) and adjusted operating profit was £4.8 million (2015: £4.1 million). Strong performances in Harrow Green, the core office relocation business, and IT Efficient, our IT recycling business, were offset by losses incurred at ITP Group, our toner cartridge recycling business.

Overall operating margins across the Group remained steady at 19% for the year (2015: 19%).

Corporate Transactions

As mentioned above the key transaction of the year was the acquisition of PHS DS in August for a total consideration of £83.1 million. This was funded by a combination of debt and equity.

The other corporate transaction during the year was the sale for £27.7 million in March of the Irish assets of Wincanton Records Management, part of the business we had acquired in December 2015.

There were no other acquisitions made during the year. Since the year-end, we have made three acquisitions:

- In January, we acquired the trade and assets of Reisswolf Wales, a secure shredding business based in Welshpool, Wales
- Also in January, we acquired ID Secured Limited, trading as Reisswolf London, a Bedfordshire-based secure shredding business
- In February, we acquired The ITAD Works Ltd, a Surrey-based IT recycling company.

Funding

Net debt at the year-end was £72.3 million (2015: £60.6 million). The increase in net debt reflects the use of borrowings to part-finance the acquisition of PHS DS, although the quantum required was reduced by the funds received earlier in the year from the Irish disposal. As part of the PHS DS transaction, we increased our overall borrowing capacity to £97.5 million from £80 million. We now have in place £67.5 million of Term Loans maturing in December 2020 and a 5-year Revolving Credit Facility of £30 million.

The acquisition of PHS DS was also funded by the placing of 12.1 million shares at 290.0 pence per share. I believe that our ability to raise such funding during the extreme uncertainty immediately following the Brexit vote reflects the support that the Company has generated amongst its financial stakeholders. The prestigious AIM Company of the Year Award which we won in October 2016 bears further testimony to this.

Dividends

Your Board is recommending a final dividend of 2.67p, payable on 7 July 2017 to shareholders on the register on 9 June 2017. The total dividend for the year is 4.0p, a 25% year-on-year increase. It also represents a quadrupling of the dividend over the last five years and reflects the Board's firm intention to follow a progressive dividend policy.

People

Our business has continued to grow significantly in recent years and that is reflected in the size of our workforce. We now have 1,800 permanent employees, some of whom are part-time, often to fit their personal circumstances, as well as temporary staff for peak demand.

As the business grows, it is important we remain committed to the principle of locking power and responsibility together at all levels within the business and letting our people get on with their job with minimal interference. I believe this lies at the heart of our current success as we are wholly dependent on the abilities of our people and their commitment to serving our customers. As part of this, we continue to operate on an operationally and managerially decentralised basis so that our people at all levels can continue to have a real impact on the performance of their area of the business.

I have noted in previous years that as our Group increases in scale, we are able to offer greater stability and career opportunities for all our people. We are also in a position to provide the support and development that is appropriate to a larger company without losing the flexibility to treat people as individuals. We look forward to developing this further in 2017 in key areas such as talent-spotting and management succession planning at all levels of the business so that our people can fulfil their potential within the Restore Group.

I thank all our people for their commitment over the last year and look forward to them continuing to share in the success of the Group. I also welcome the people who have joined us through acquisitions made over the last year.

Outlook

The growth prospects in our records management business remain attractive. We expect to continue to gain market share from our expanded base in shredding and scanning, both organically and through acquisition. In Relocation, we are focused on delivering further growth in revenue and operating margins.

The current year has started well and we look forward to delivering another year of strong progress in 2017.

Sir William Wells
Chairman

9 March 2017

CHIEF EXECUTIVE'S REVIEW

Key Performance Figures

	Revenue 2016	Revenue 2015	Adjusted* Operating Profit 2016	Adjusted* Operating Profit 2015
Document Management	£90.1m	£54.7m	£22.0m	£15.1m
Relocation	£39.3m	£37.2m	£4.8m	£4.1m
Head Office costs	-	-	(£1.8m)	(£1.6m)
Total	£129.4m	£91.9m	£25.0m	£17.6m

* Before discontinued operations, exceptional items (including exceptional finance costs), amortisation of intangible assets and share based payments charge.

These are the key results from the ongoing businesses which are included in the fuller statement set out under 'Profit Before Tax' below.

DOCUMENT MANAGEMENT DIVISION

Document Management increased revenue by £35.4 million to £90.1 million. Adjusted operating profits increased by £6.9 million to £22.0 million. The majority of the increase in revenue derived from the acquisition of Wincanton Records Management in December 2015 and the acquisition of PHS Data Solutions ("PHS DS") in August 2016. The decline in operating margin reflects the higher percentage of revenues deriving from activities other than records management.

Our **Records Management** business still comprises the bulk of these results and it continued to perform robustly. Cost savings in recently acquired businesses have been in line with expectations at the time of acquisition. Net box growth, excluding acquired boxes, was positive, although as expected slower than in previous years. This primarily reflects the ongoing exit of a major customer of the former Wincanton Records Management of which we were aware at the time we acquired the business. Overall, organic growth in revenue was 5 per cent.

The acquisition of Wincanton Records Management, where occupancy rates at the time of acquisition were 69 per cent, immediately lowered our overall capacity utilisation but provided attractive new space especially in Rainham, Essex. We continue to rationalise our estate, exiting less suitable premises when the opportunity arises, such as our site in Charlton, south London, where the relocation of more than 500,000 boxes is nearly complete, and expanding existing sites where the cost of storage is lower. As part of this, the newly-developed additional space in our underground freehold site in Wiltshire is now coming on stream. Capacity utilisation levels across our RM estate, which currently comprises 45 sites, are now running at around 90 per cent and further rationalisation of the estate will increase capacity utilisation to what we consider to be optimal levels.

The integration of the RM business of PHS DS has been substantially completed. Occupancy rates at PHS DS were around 82 per cent at the time of acquisition, providing some scope to improve margins through increased occupancy. Cost savings are also being delivered in line with expectations such that we are confident that margins in the acquired operations will move towards those typically achieved in our RM operations.

Our RM business has grown substantially over the last two and a half years with the acquisitions of Cintas UK, Wincanton Records Management and PHS DS. While there are limited opportunities for further acquisitions on this scale in RM, we expect to continue to make further bolt-on acquisitions in due course.

Restore Shred, now rebranded as **Restore Datashred**, our secure shredding and recycling business, has been transformed by the acquisition of PHS DS. We have operated in this area for over five years but had struggled to achieve appropriate levels of profitability, primarily as we lacked the critical mass in a route-based business. PHS DS's largest business, PHS Datashred, was one of the two market leaders in the UK shredding market and its addition has increased our shredding revenues by more than eight-fold, meaning that we are now significantly larger than the third-largest operator in the UK market.

The former Restore Shred business had shown good year-on-year growth in the eight months prior to the acquisition of PHS Datashred but had not operated profitably over that period. Since the acquisition, Restore Shred has been integrated into the acquired business with significant cost savings. The profitability of the combined business since integration has been in line with that previously achieved by Datashred and we are confident that we can deliver further improvements in operating margins from these levels.

Restore Datashred now operates from 13 sites across the UK. Beneath the two major operators, the UK shredding market remains highly fragmented with a large number of smaller independent operators. Given the advantages of scale in this business, we view this as representing a significant opportunity for the Group to consolidate this market through acquisition. The two acquisitions made so far this year are indicative of our ambition to further consolidate this market.

Restore Scan, our document scanning business, has been transformed during the last two and a half years following the acquisitions of the Cintas scanning business as part of the Cintas UK transaction, Crimson, Data Imaging and Archiving in August 2015 and, most recently, Capital Capture as part of the PHS DS acquisition. We have been active in scanning for 10 years but, prior to these acquisitions, Restore Scan had largely been operating as a one-site scanning bureau. Basic document scanning has been a difficult and commoditised market in recent years but there is significant demand for more sophisticated forms of digitisation and other related services, including managing customers' digitisation programmes on-site, data hosting and broader electronic document management. This requires significant IT capability and resource such that a successful, modern scanning operation requires an appreciable overhead. We now have the scale and customer base to support and develop such a resource.

The new management team at Restore Scan has achieved much over the year. Its financial performance has improved with 8 per cent organic growth and an increase in gross margin (as expressed by direct costs as a percentage of revenue). Our major seasonal contract for scanning exam papers was executed successfully. Our large contract for the Nuclear Decommissioning Authority is progressing well, including the recent opening of the Nucleus archiving centre in Wick, Scotland. We are managing major scanning contracts for NHS Trusts, an area expected to benefit from significant demand over the next few years. Our business process outsourcing activities, which generally comprise regular scanning for a broad range of customers, are now making good progress. We have also invested significantly in the business, including a revamped facility at Scan's head office in Manchester. We are now operating one of the two largest scanning businesses in the UK which we are confident provides an attractive platform for further growth.

RELOCATION

The Relocation division recorded adjusted operating profit for the year of £4.8 million (2015: £4.1 million) on revenue of £39.3 million (2015: £37.2 million). As noted in the Chairman's Statement, the overall good progress of the division, particularly at Harrow Green and IT Efficient, was held back by the underperformance of ITP.

Revenues in the core **Harrow Green** office relocation business showed year-on-year growth. This was an encouraging performance given an appreciable slowdown in relocation activity in the two months preceding the Brexit vote at the end of June and that our large contract providing services to the Ministry of Defence was less active than in 2015. Operating margins continued to improve, helped by small but effective adjustments to our operating model in London, our single largest market. General activity levels with our larger customers remained steady overall. Major one-off projects undertaken during the year included an office move for UBS as well as Raytheon and Natixis, and the University of Birmingham library move. Our most recent branch addition, in Croydon, traded well in its first year of operation. **GMS**, our international moves business, again showed a strong year-on-year improvement in both revenues and contribution.

Relocom, our IT relocation business, had a satisfactory year. We have acquired the outstanding minority stake in Relocom and this should further strengthen its close working relationship with Harrow Green.

IT Efficient, our IT recycling business, performed strongly with both increased revenues and a significant improvement in operating margins. We have been active in IT recycling for four years and believe that it provides a good opportunity for growth. In February 2017 we significantly expanded our presence in this market with the acquisition of The ITAD Works, a Surrey-based provider of IT asset recovery and recycling services.

ITP, our toner cartridge recycling business acquired in July 2015, traded poorly in the year and recorded a loss on lower revenues. Global demand for empty toner cartridges was weak during 2016 but we also failed to maintain and develop relationships with key buyers. We have now appointed a new management team and are focused on ensuring that the product which we collect is attractive to the global remanufacturing industry. We remain confident that toner cartridge recycling is an activity that fits well with the rest of the Group's offering and that we can achieve an acceptable return on our investment.

CUSTOMERS

As our business has grown, our customer base now includes a high proportion of larger offices in the UK. This can be seen from our current penetration of customers in various groupings:

Sector	March 2017	March 2016

Top 100 UK legal practices	90%	72%
Top 50 UK accountancy companies	78%	66%
FTSE-100 companies	74%	60%
UK National Health Trusts	73%	41%
Local authorities in England, Wales and Scotland	54%	41%

We seek to utilise this extensive customer base by maintaining and developing our Group Customer Relationship Management system which has been in place for many years. While our operations are decentralised, it is a central tenet of our Group that all of our business streams have access to all of our Group's customers through this system whose use is mandatory across all of our sales teams. As the database has grown, the reciprocal benefits of using the system have become evident, helping to ensure compliance. This facilitates cross-selling as most of our customers have a demand for most of our services and the procurement person or team is often the same.

Having a strong channel to market is critical to successful growth in most commercial activity. It is particularly important in business-to-business services where relationships and trust take time to build. The strength of our customer relationships also means we can recognise these customers' evolving needs and adapt our services to these needs. The depth and breadth of our customer relationships represents an excellent base for our Group's long-term success.

Charles Skinner
Chief Executive

FINANCE DIRECTOR'S REPORT

Profit Before Tax

Profit before tax from continuing operations for the year ended 31 December 2016 was £7.5 million (2015: £6.1 million). The increase in profitability compared to the prior year is a reflection of the following;

- The contribution from acquired businesses, most notably Wincanton Records Management and PHS DS.
- A much improved performance in Restore Scan following a challenging year in 2015.

These have been partially offset by higher levels of exceptional costs and a weaker performance in ITP, our toner recycling business.

Exceptional costs of £10.3 million (2015: £6.4 million) include £6.2 million (2015: £5.1 million) of restructuring and redundancy costs. During the year, most of the costs relating to the rationalisation of Wincanton Records Management and PHS DS were incurred. This primarily consisted of redundancy payments, double-running costs of roles which were scheduled for redundancy and double-running costs of properties prior to rationalisation. The majority of these costs are incurred in the 12 months following an acquisition. Typically the restructuring and redundancy costs incurred equate to approximately the anticipated annualised cost saving. The second largest element to exceptional costs was National Insurance payable on the exercise of share options of £1.7 million, which was more than offset in cash terms by the reduction in corporation tax payments from the resulting tax deduction.

Amortisation of intangible assets for the year was £4.4 million (2015: £2.6 million) with the increase attributable to the higher carrying value of intangible assets.

Profit before tax from discontinuing operations for the year ended 31 December 2016 was £9.3 million (2015: £0.2 million). This primarily reflects the gain on disposal of the Irish operations of Wincanton Records Management in March 2016. The net effect of this disposal was to rationalise the Wincanton Records Management acquisition down to the UK operations where the benefits of integration with Restore would be significantly greater, whilst materially reducing the overall financial outlay.

Due to the one-off nature of exceptional costs and the non-cash element of certain charges, the Directors believe that an adjusted measure of profit before tax and earnings per share provides shareholders with a more appropriate representation of the underlying earnings derived from the Group's business. The items adjusted for in arriving at that underlying adjusted profit before tax are as follows:

Continuing operations	2016 £'m	2015 £'m
Profit before tax	7.5	6.1
Share based payments charge	0.8	0.9
Exceptional items	10.3	6.4
Amortisation of intangible assets	4.4	2.6
Exceptional finance costs	-	0.3
Adjusted profit before tax – continuing operations	23.0	16.3

Reconciliation of Reported Operating Profit to Adjusted Operating Profit and Adjusted EBITDA

Continuing operations	2016 £'m	2015 £'m
Operating profit	9.5	7.7
Share based payments charge	0.8	0.9
Exceptional items	10.3	6.4
Amortisation of intangible assets	4.4	2.6
Adjusted operating profit	25.0	17.6
Depreciation	4.3	2.8
Adjusted EBITDA	29.3	20.4

Earnings Per Share (Eps)

	2016	2015
Basic adjusted earnings per share from continuing operations (pence)	17.9p	15.6p
Total basic earnings per share (pence)	17.8p	7.2p
Basic earnings per share from continuing operations (pence)	10.3p	7.0p

Basic adjusted earnings per share are calculated as adjusted profit for the year less standard tax charge divided by the weighted average number of shares in issue in the year. Basic earnings per share reflect the actual tax charge. Basic earnings per share from continuing operations exclude the gain on disposal of Wincanton Ireland noted above.

Exceptional Costs

	2016 £'m	2015 £'m
Acquisition – transaction costs	1.2	0.4
Acquisition – box relocation and transport costs	0.4	0.1
Restructuring and redundancy costs	6.2	5.1
Other exceptional	2.5	0.8
Total	10.3	6.4

As mentioned above, the integration of acquisitions remains the key component of exceptional costs. In the year, the Group undertook the bulk of the restructuring on both the Wincanton Records Management and PHS DS acquisitions, the two largest acquisitions Restore has made. The Wincanton Records Management integration is now largely complete and the PHS DS integration is proceeding to plan.

Transaction costs include stamp duty costs and transitional service arrangement fees, in addition to the cost of legal and professional fees incurred as part of the acquisitions.

Box relocation and transport costs include the cost of uplifting boxes to existing facilities and the movement of boxes from facilities which closed as result of acquisitions. In the period the majority of the cost in this area was a result of the transfer of boxes from the Cintas Charlton site to existing Restore sites ahead of the lease end in June 2017.

Restructuring and redundancy costs have increased to £6.2 million in 2016. As noted above these primarily relate to the Wincanton Records Management and PHS DS acquisitions and include:

- The cost of duplicated staff roles during the integration and restructuring period.
- The redundancy cost of implementing the post completion staff structures.
- IT costs associated with the wind down of duplicated IT systems and the transfer across to the destination systems.
- Property costs associated with sites which are identified at the point of acquisition as being superfluous to ongoing requirements and where a credible exit strategy is clear to management.

Other exceptional costs include £1.7 million of national insurance costs on the exercise of options. The second element of other exceptional costs is a fixed asset write down of £0.8 million resulting from the integration of Restore Shred into PHS DS which has given rise to the closure of a number of the Restore Shred depots and the replacement of the operational IT system.

Interest

Net finance costs amounted to £2.0 million (2015: £1.3 million) which reflects the increased average levels of debt as a result of acquisitions.

Taxation

UK Corporation Tax is calculated at 20% (2015: 20.25%) of the estimated assessable profit/(loss) for the year. The UK Corporation Tax rate remained at 20% throughout the year. The rate will reduce to 19% on 1 April 2017 falling further to 17% on 1 April 2020; accordingly, these rate reductions have been reflected in the deferred tax balance which forms part of the statement of financial position.

Statement of Financial Position

Net assets increased to £152.1 million (2015: £104.7 million) primarily due to the acquisition of PHS DS and the placing of shares. Goodwill and intangibles at 31 December 2016 were £190.3 million (2015: £118.6 million).

Property, plant and equipment totalled £47.6 million (2015: £37.4 million), comprising the freehold underground storage facilities in Wiltshire, storage racking, operational equipment, vehicles and computer systems. The development of additional storage space in the underground facility has continued in 2016 following the completion of the chamber that was being developed throughout 2015. The viability of the final chamber has been confirmed and development is underway with sections coming on stream during 2017.

Cash Flow

The net cash inflow from continuing operations increased 64% to £18.0 million (2015: £11.0 million). The improvement from the prior year has been largely driven by increased levels of profitability and an increase of £4.0 million in non-cash charges in the income statement.

Net working capital usage in the year was £1.8 million which includes:

- Working capital required for the Wincanton Records Management and PHS DS acquisitions. The structure of both these transactions was such that the consideration paid was reduced by the estimated amount of working capital required post completion.
- Payments against property provisions of £2.0 million. This includes rent and rates on the Cintas Charlton site of £1.1 million. The lease on the Cintas Charlton property comes to an end in June 2017 at which point the original £2.5 million provision against the property, funded by a payment from Cintas at the point of acquisition, will have been fully utilised.
- These outflows have been largely offset by a strong performance by the core business in managing the working capital cycle. This is most notable in debtors, where the both accrued income and other receivables have been reduced.

Capital expenditure totalled £5.2 million (2015: £4.0 million) following the continued development of additional space in the underground storage facility and our other storage facilities. We have also continued to invest in our scanning business with a new head office in Manchester.

Net proceeds from the sale of the Irish operations of Wincanton Records Management were £27.4 million. The cash received was used to provide headroom on the existing bank facilities which were subsequently deployed as part of the acquisition of PHS DS.

Net Debt

Net debt at the end of the year was £72.3 million (2015 £60.6 million) reflecting the additional debt taken on to fund the acquisition of PHS DS which was partially funded through a placing of shares raising £34.2 million. As part of the acquisition of PHS DS the Group drew down on an optional £20.0 million additional term loan that was built into the existing loan agreement. Facilities at the end of the period totalled £97.5 million comprising a £67.5 million of term loans and a £30.0 million revolving credit facility. Scheduled repayments total £32.5 million against the term loans before a final settlement payment of £35 million in 2020. The Group has sufficient headroom on its facilities at the end of the period to continue to fund smaller acquisitions as part of its strategy.

Adam Councell
Group Finance Director

Unaudited consolidated statement of comprehensive income

For the year ended 31 December 2016

		Year Ended 31 December 2016			Year Ended 31 December 2015		
	Notes	Before exceptional items £'m	Exceptional items (note 3) £'m	After exceptional items £'m	Before exceptional items £'m	Exceptional items £'m	After exceptional items £'m
Revenue		129.4	-	129.4	91.9	-	91.9
Cost of sales		(81.6)	-	(81.6)	(59.0)	-	(59.0)
Gross profit		47.8	-	47.8	32.9	-	32.9
Administrative expenses		(23.6)	(10.3)	(33.9)	(16.2)	(6.4)	(22.6)
Amortisation of intangible assets		(4.4)	-	(4.4)	(2.6)	-	(2.6)
Operating profit		19.8	(10.3)	9.5	14.1	(6.4)	7.7
Finance costs		(2.0)	-	(2.0)	(1.3)	(0.3)	(1.6)
Profit before tax		17.8	(10.3)	7.5	12.8	(6.7)	6.1
Income tax credit/(charge)		1.2	1.9	3.1	(1.6)	1.3	(0.3)
Profit and total comprehensive income for the year from continuing operations		19.0	(8.4)	10.6	11.2	(5.4)	5.8
Profit from discontinued operations	2	7.7	-	7.7	0.2	-	0.2
Attributable to owners of the parent		26.7	(8.4)	18.3	11.4	(5.4)	6.0
Earnings per share attributable to owners of the parent (pence)	5						
Total							
– Basic				17.8p			7.2p
– Diluted				16.9p			6.8p
Continuing operations							
– Basic				10.3p			7.0p
– Diluted				9.8p			6.6p
Discontinued operations							
– Basic				7.5p			0.2p
– Diluted				7.1p			0.2p

Unaudited consolidated statement of changes in equity

For the year ended 31 December 2016

	Attributable to owners of the parent				
	Share capital £'m	Share premium £'m	Other reserves £'m	Retained earnings £'m	Total equity £'m
Balance at 1 January 2015	4.1	35.3	3.8	23.8	67.0
Profit for the year	-	-	-	6.0	6.0
Total comprehensive income for the year	-	-	-	6.0	6.0
Transactions with owners					
Issue of shares during the year	0.7	33.2	-	-	33.9
Issue costs	-	(1.0)	-	-	(1.0)
Dividends	-	-	-	(2.2)	(2.2)
Transfers	-	-	(0.1)	0.1	-
Share-based payments charge	-	-	0.9	-	0.9
Deferred tax on share-based payments	-	-	0.1	-	0.1
	0.7	32.2	0.9	(2.1)	31.7
Balance at 31 December 2015	4.8	67.5	4.7	27.7	104.7
Balance at 1 January 2016	4.8	67.5	4.7	27.7	104.7
Profit for the year	-	-	-	18.3	18.3
Total comprehensive income for the year	-	-	-	18.3	18.3
Transactions with owners					
Issue of shares during the year	0.8	34.6	-	-	35.4
Issue costs	-	(1.2)	-	-	(1.2)
Dividends	-	-	-	(3.7)	(3.7)
Transfers	-	-	(0.9)	0.9	-
Share-based payments charge	-	-	0.8	-	0.8
Deferred tax on share-based payments	-	-	(2.2)	-	(2.2)
	0.8	33.4	(2.3)	(2.8)	29.1
Balance at 31 December 2016	5.6	100.9	2.4	43.2	152.1

Unaudited consolidated statement of financial position

For the year ended 31 December 2016

	2016 £'m	2015 £'m
ASSETS **Non-current assets**		
Intangible assets	190.3	118.6
Property, plant and equipment	47.6	37.4
Deferred tax asset	2.8	4.3
	240.7	160.3
Current assets		
Inventories	1.9	1.7
Trade and other receivables	38.4	28.8
Cash and cash equivalents	13.4	8.5
	53.7	39.0
Assets held directly for sale	-	24.2
Total assets	294.4	223.5
LIABILITIES **Current liabilities**		
Trade and other payables	(34.3)	(22.4)
Financial liabilities – borrowings	(7.3)	(3.7)
Other financial liabilities	(0.1)	(0.1)
Current tax liabilities	(1.5)	(2.2)
Provisions	(1.0)	(0.8)
	(44.2)	(29.2)
Liabilities associated with assets held for sale	-	(4.6)
	(44.2)	(33.8)
Non-current liabilities		
Financial liabilities – borrowings	(78.4)	(65.4)
Other long term liabilities	(0.2)	(0.5)
Other financial liabilities	(0.3)	(0.2)
Deferred tax liability	(13.2)	(12.0)
Provisions	(6.0)	(6.9)
	(98.1)	(85.0)
Total liabilities	(142.3)	(118.8)
Net assets	152.1	104.7
Equity		
Share capital	5.6	4.8
Share premium account	100.9	67.5
Other reserves	2.4	4.7
Retained earnings	43.2	27.7
Equity attributable to the owners of the parent	152.1	104.7

Unaudited consolidated statement of cash flows
For the year ended 31 December 2016

	Year ended 31 December 2016 £'m	Year ended 31 December 2015 £'m
Net cash generated from operations	18.2	11.0
Net finance costs	(2.0)	(1.1)
Income taxes paid	(0.4)	(0.8)
Net cash generated from operating activities	15.8	9.1
Cash flows from investing activities		
Purchase of property, plant and equipment and applications software	(5.2)	(4.0)
Purchase of subsidiary undertakings, net of cash acquired	(82.6)	(63.9)
Purchase of trade and assets	-	(2.0)
Proceeds from sale of available for sale assets	29.9	-
Cash flows used in investing activities	(57.9)	(69.9)
Cash flows from financing activities		
Net proceeds from share issues	34.2	32.9
Dividends paid	(3.7)	(2.2)
Repayment of bank borrowings	-	(47.0)
(Repayment)/drawdown of revolving credit facility	(2.5)	28.5
New bank loans raised	20.0	50.0
(Decrease)/increase in bank overdrafts	(0.9)	0.2
Finance lease repayments	(0.1)	-
Net cash generated from financing activities	47.0	62.4
Net increase in cash and cash equivalents	4.9	1.6
Cash and cash equivalents at start of year	8.5	6.9
Cash and cash equivalents at end of year	13.4	8.5
Cash and cash equivalents shown above comprise:		
Cash at bank	13.4	8.5

Notes to the unaudited preliminary financial information for the year ended 31 December 2016

1. **Basis of Preparation**

The figures for the year ended 31 December 2016 have been extracted from the unaudited statutory financial statements for the year that have yet to be delivered to the Registrar of Companies and on which the auditor has yet to issue an opinion. The financial information attached has been prepared in accordance with the recognition and measurement requirements of international financial reporting standards (IFRS) as adopted by the EU and international financial reporting interpretations committee (IFRIC) interpretations issued and effective at the time of preparing those financial statements. The accounting policies applied in the year ended 31 December 2016 are consistent with those applied in the financial statements for the year ended 31 December 2015.

The financial information for the years ended 31 December 2016 and 31 December 2015 does not constitute statutory financial information as defined in Section 434 of the Companies Act 2006 and does not contain all of the information required to be disclosed in a full set of IFRS financial statements. This announcement was approved by the Board of Directors and authorised for issue on 9 March 2017. The auditor's report on the financial statements for 31 December 2015 was unqualified, and did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and did not contain a statement under either Section 498 (2) or 498 (3) of the Companies Act 2006. The financial statements for the year ended 31 December 2015 have been delivered to the Registrar.

The Group is reliant on financing and meets its day to day working capital requirements through its bank facilities. The Group's budgets for 2017 and forecasts for 2018, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2. Segmental Analysis

The Group is organised into two main operating segments, Document Management and Relocation, and incurs head office costs. Services per segment operate as described in the Chief Executive's review. The main segmental profit measure is adjusted operating profit and is shown before exceptional items, share-based payments charge and amortisation of intangible assets. The vast majority of trading of the Group is undertaken within the United Kingdom. Segment assets include intangibles, property, plant and equipment, inventories, receivables and operating cash. Central assets include deferred tax and head office assets. Segment liabilities comprise operating liabilities. Central liabilities include income tax and deferred tax, corporate borrowings and head office liabilities. Capital expenditure comprises additions to computer software, property, plant and equipment and includes additions resulting from acquisitions through business combinations. Segment assets and liabilities are allocated between segments on an actual basis.

Revenue

The revenue from external customers was derived from the Group's principal activities primarily in the UK (the Company is domiciled in England) as follows:

Continuing operations	Document Management £'m	Relocation £'m	Head Office £'m	2016 Total £'m
Revenue	90.1	39.3	-	129.4
Segment adjusted operating profit/(loss)	22.0	4.8	(1.8)	25.0
Exceptional items				(10.3)
Share-based payments charge				(0.8)
Amortisation of intangible assets				(4.4)
Operating profit				9.5
Finance costs				(2.0)
Profit before tax				7.5
Tax credit				3.1
Profit after tax				10.6
Segment assets	249.8	40.5	4.1	294.4
Segment liabilities	43.1	10.9	88.3	142.3
Capital expenditure	5.0	0.2	-	5.2
Depreciation and amortisation	8.0	0.7	-	8.7

Continuing operations	Document Management £'m	Relocation £'m	Head Office £'m	2015 Total £'m
Revenue	54.7	37.2	-	91.9
Segment adjusted operating profit/(loss)	15.1	4.1	(1.6)	17.6
Exceptional items				(6.4)
Share-based payments charge				(0.9)
Amortisation of intangible assets				(2.6)
Operating profit				7.7
Finance costs				(1.3)
Exceptional finance costs				(0.3)
Profit before tax				6.1
Tax charge				(0.3)
Profit after tax				5.8
Segment assets	183.5	39.7	0.3	223.5
Segment liabilities	41.0	7.8	70.0	118.8
Capital expenditure	3.8	0.2	-	4.0
Depreciation and amortisation	4.6	0.8	-	5.4

Discontinued Operations	2016 £'m	2015 £'m
Revenue	1.7	0.6
Operating profit	0.1	0.2
Profit before tax	0.1	0.2
Tax charge	-	-
Profit after tax of discontinued operations	0.1	0.2
Pre-tax gain recognised as the re-measurement of assets of disposal group	9.2	-
Tax charge	(1.6)	-
After tax gain recognised on the re-measurement of assets of disposal group	7.6	-
Profit after tax for the year from discontinued operations	7.7	0.2

On 10 March 2016, the Group disposed of Restore Document Management Ireland Limited for €36.0m (£27.7m).

Major Customers

For the year ended 31 December 2016 no customers individually accounted for more than 3% (2015: 4%) of the Group's total revenue.

3. Exceptional Items

	2016 £'m	2015 £'m
Acquisition – transaction costs	1.2	0.4
Acquisition – box relocation and transport costs	0.4	0.1
Restructuring and redundancy costs	6.2	5.1
Other exceptional	2.5	0.8
Total	10.3	6.4

The integration of acquisitions remains the key component of exceptional costs. In the year the Group undertook the bulk of the restructuring on both the Wincanton Records Management and PHS DS acquisitions, the two largest acquisitions Restore has made. The Wincanton RM integration is now largely complete and the PHS DS integration is ahead of schedule.

Transaction costs include stamp duty costs and transitional service arrangement fees, in addition to the cost of legal and professional fees incurred as part of the acquisitions.

Box relocation and transport costs include the cost of uplifting boxes to existing facilities and the movement of boxes from facilities which closed as result of acquisitions. In the period the majority of the cost in this area has been a result of the transfer of boxes from the Cintas Charlton site to existing Restore sites ahead of the lease end in June 2017. This process is ahead of schedule.

Restructuring and redundancy costs have increased to £6.2m in 2016. As noted above these primarily relate to the Wincanton RM and PHS DS acquisitions and include:

- The cost of duplicated staff roles during the integration and restructuring period
- The cost of implementing the post completion staff structures

- IT costs associated with the wind down of duplicated IT systems and the transfer across to the destination system
- Property costs associated with sites which are identified at the point of acquisition as being superfluous to ongoing requirements and where a credible exit strategy is clear to management

Other exceptional costs include £1.7m of National Insurance costs on exercised options. The second element of other exceptional costs is a fixed asset write down of £0.8m resulting from the integration of Restore Shred into PHS DS which has given rise to the closure of a number of the Restore Shred depots and the replacement of the operational IT system.

4. Taxation

	2016 £'m	2015 £'m
Current tax:		
UK corporation tax on profit for the year	0.3	1.0
Adjustment in respect of previous periods	(0.6)	(0.1)
Total current tax	(0.3)	0.9
Deferred tax		
Current year	(1.9)	(0.2)
Adjustment in respect of previous periods	(0.9)	(0.4)
Total deferred tax	(2.8)	(0.6)
Total tax (credit)/ charge	(3.1)	0.3

The (credit)/charge for the year can be reconciled to the profit in the Consolidated Statement of Comprehensive income as follows:

	2016 £'m	2015 £'m
Profit before tax	7.5	6.1
Profit before tax multiplied by the rate of corporation tax of 20.0% (2015: 20.25%)	1.5	1.2
Effects of:		
Expenses not deductible for tax purposes	0.8	0.2
Tax losses not previously recognised	(0.8)	(0.6)
Share-based payments deduction	(2.6)	-
Effect of change in rate used for deferred tax	(0.5)	-
Adjustment in respect of corporation tax for previous periods	(0.6)	(0.1)
Adjustment in respect of deferred tax for previous periods	(0.9)	(0.4)
Tax (credit)/charge	(3.1)	0.3

5. Earnings Per Ordinary Share

Basic earnings per share have been calculated on the profit for the year after taxation and the weighted average number of ordinary shares in issue during the year.

	2016	2015
Weighted average number of shares in issue	102,712,773	83,442,266
Total profit for the year	£18.3m	£6.0m
Total basic earnings per ordinary share (pence)	17.8p	7.2p
Weighted average number of shares in issue	102,712,773	83,442,266
Share options	5,454,143	4,430,077
Executive incentive plan	-	373,579
Weighted average fully diluted number of shares in issue	108,166,916	88,245,922
Total fully diluted earnings per share (pence)	16.9p	6.8p
Continuing profit for the year	£10.6m	£5.8m
Continuing basic earnings per share (pence)	10.3p	7.0p
Continuing fully diluted earnings per share (pence)	9.8p	6.6p
Discontinued profit for the year	£7.7m	£0.2m
Discontinued basic earnings per share (pence)	7.5p	0.2p
Discontinued fully diluted earnings per share (pence)	7.1p	0.2p

Adjusted earnings per share

The Directors believe that the adjusted earnings per share provide a more appropriate representation of the underlying earnings derived from the Group's business. The adjusting items are shown in the table below:

	2016 £'m	2015 £'m
Continuing profit before tax	7.5	6.1
Adjustments:		
Amortisation of intangible assets	4.4	2.6
Exceptional items	10.3	6.4
Share-based payments charge	0.8	0.9
Exceptional finance costs	-	0.3
Adjusted continuing profit for the year	23.0	16.3

The adjusted earnings per share, based on the weighted average number of shares in issue during the year, £102.7m (2015: £83.4m) is calculated below:

	2016	2015
Adjusted profit before taxation (£'m)	23.0	16.3
Tax at 20% / 20.25% (£'m)	(4.6)	(3.3)
Adjusted profit after taxation (£'m)	18.4	13.0
Adjusted basic earnings per share (pence)	17.9p	15.6p
Adjusted fully diluted earnings per share (pence)	17.0p	14.7p

6. Dividends

In respect of the current year, the Directors propose a final dividend of 2.67p per share (2015: 2.2p) will be paid to ordinary shareholders on 7 July 2017. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. An interim dividend of 1.33p per share (2015: 1.0p) was paid during the year.

The proposed final dividend for 2016 is payable to all shareholders on the Register of Members on 9 June 2017. The final estimated dividend to be paid is £3.0m (2015: £2.1m).

7. Business Combinations

On 26 August 2016, the Company acquired PHS DS, the second largest provider of document shredding services in the UK as well as having a significant records management business and a presence in document scanning. The total consideration of £83.1m was paid in cash. The provisional fair values are as follows:

	Provisional fair value at acquisition £'m
Intangible assets – customer relationships	17.2
Intangible assets – trade name	2.3
Property, plant and equipment	10.5
Inventories	0.4
Trade receivables	5.3
Cash	0.9
Trade and other payables	(7.0)
Deferred tax liabilities	(3.3)
Other financial liabilities	(0.2)
Net assets acquired	26.1
Goodwill	57.0
Consideration	83.1
Satisfied by:	
Cash to vendors	83.1

Deferred tax at 17.0% has been provided on the value of intangible assets. Acquisition costs of £255k were incurred and have been charged to profit or loss within exceptional costs.

On 4 January 2016, deferred consideration of £0.4m was paid in respect of ITP. During the year the Directors reviewed the performance of ITP and concluded that the final payment of earn-out consideration of £0.4m would not be made. As this assessment was made within 12 months of the acquisition, this has been adjusted in goodwill.

Other financial liabilities include £0.4m (2015: £0.5m) in respect of the contingent consideration in respect of Crimson UK Limited, of which £0.3m is due after more than one year (2015: £0.5m).

Post acquisition results

	PHS DS £'m
Revenue	17.7
Profit before tax since acquisition included in the consolidated statement of comprehensive income	1.8

If the acquisitions had been completed on the first day of the financial year, Group revenue would have been £160.1m and Group continuing profit before tax would have been £12.7m.

The acquisition of PHS DS was made to acquire a market leading brand, Datashred (now trading as Restore Datashred), to extend national coverage and increase the Group's market share. The goodwill on this acquisition, is higher than on other recent acquisitions. The Directors believe this represents:

– The network of routes and depots built up by the company over many years which provide the backbone of profitable operations in shredding
– The skilled workforce and knowledge acquired by the company in building a number 2 position in the market
– The potential for cost synergies in the Group's existing shredding operation through consolidation of routes and depots with PHS DS
– A platform for future bolt on acquisitions.

8. Cash Inflow From Operations

	2016 £'m	2015 £'m
Continuing operations		
Profit before tax	7.5	6.1
Depreciation of property, plant and equipment	4.3	2.8
Amortisation of intangible assets	4.4	2.6
Net finance costs	2.0	1.6
Share-based payments charge	0.8	0.9
Loss on disposal of plant, property and equipment	0.8	-
Decrease/(increase) in inventories	0.2	(0.5)
Increase in trade and other receivables	(5.1)	(1.5)
Increase/(decrease) in trade and other payables	3.1	(1.0)
Net cash generated from continuing operations	18.0	11.0
Discontinued operations		
Profit before tax	7.7	-
Depreciation of property, plant and equipment	0.1	-
Profit on disposal of subsidiary	(7.6)	-
Net cash generated from discontinued operations	0.2	-
Net cash generated from operations	18.2	11.0

9. Post Balance Sheet Events

On 9 January 2017 the Group completed the acquisition of the trade and assets of Reisswolf Wales, a secured shredding business based in Welshpool Wales for £0.8m. On 23 January 2017, this was complemented by the acquisition of Bedfordshire based ID Secured Limited, trading as Reisswolf London for £0.4m.

On 20 February 2017, the Company acquired ITAD Works for £1.9m, a Surrey based IT recycling company.

On 7 March 2017, the Group acquired the remaining 17% share in Relocom Limited for £0.4m.

The Group is still in the process of establishing the fair value of the assets and liabilities acquired in all of these acquisitions.