Restore plc

Annual Report 2017

Restore plc

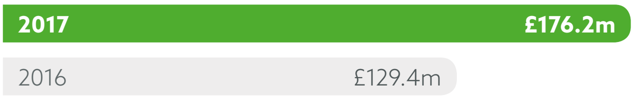
The UK leader in Document Management and Business Relocation services

For more information please see **www.restoreplc.com**

Highlights

Revenue (£'m)

£176.2m



+36%

Adjusted profit before tax* (£'m)

£31.2m

+36%

Adjusted basic earnings per share* (p)

22.4p

+25%

Dividend per share (p)

5.0p

+25%

* Before amortisation of intangible assets, exceptional items and share-based payment charge.

Operational highlights

Successful integration of PHS Data Solutions

Capacity utilisation at Restore Records Management c.93%

Restore Digital continues to improve

Restore Datashred moved onto new operating systems

Restore Harrow Green continues to benefit from robust market

IT recycling operations doubled by The ITAD Works acquisition

Seven add-on acquisitions completed

Significant property upgrades and rationalisation underway

Groupwide rebranding underway

Financial highlights

Group revenue up 36% to £176.2m

Group adjusted profit before tax up 36% to £31.2m

Adjusted earnings per share up 25% to 22.4p

Document Management revenue up 41%: adjusted operating profit up 41%

Relocation revenue up 25%: adjusted operating profit up 16%

Total dividend up 25% to 5.0p

At a glance

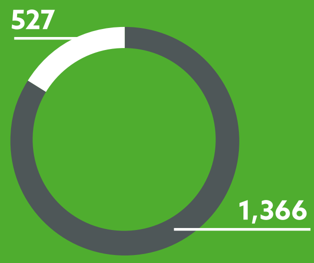
We provide safe and secure services in:

- document storage
- document shredding
- scanning
- commercial and workplace relocation
- IT equipment and consumables reuse and recycling

All of our businesses have a similar channel to market and operate on the same Customer Relationship Management system, which further binds our businesses together.

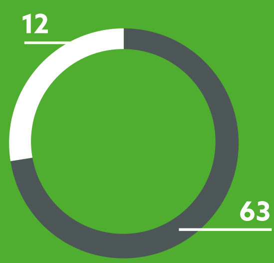
1,893

Total employees



75

Total sites



Document Management
Relocation Division

Restore plc has two divisions: **Document Management and Relocation.**

Our Sectors

Document Management

Operating margin (%)

24%

Revenue (£'m)

2017	**£126.9m**
2016	£90.1m

+41%

Operating profit (£'m)

2017	**£31.0m**
2016	£22.0m

+41%

Restore Records Management

Primary Activity:
Storage and retrieval of hard copy documents

UK Market Position No.2

Restore Datashred

Primary Activity:
Secure shredding and recycling

UK Market Position No.2

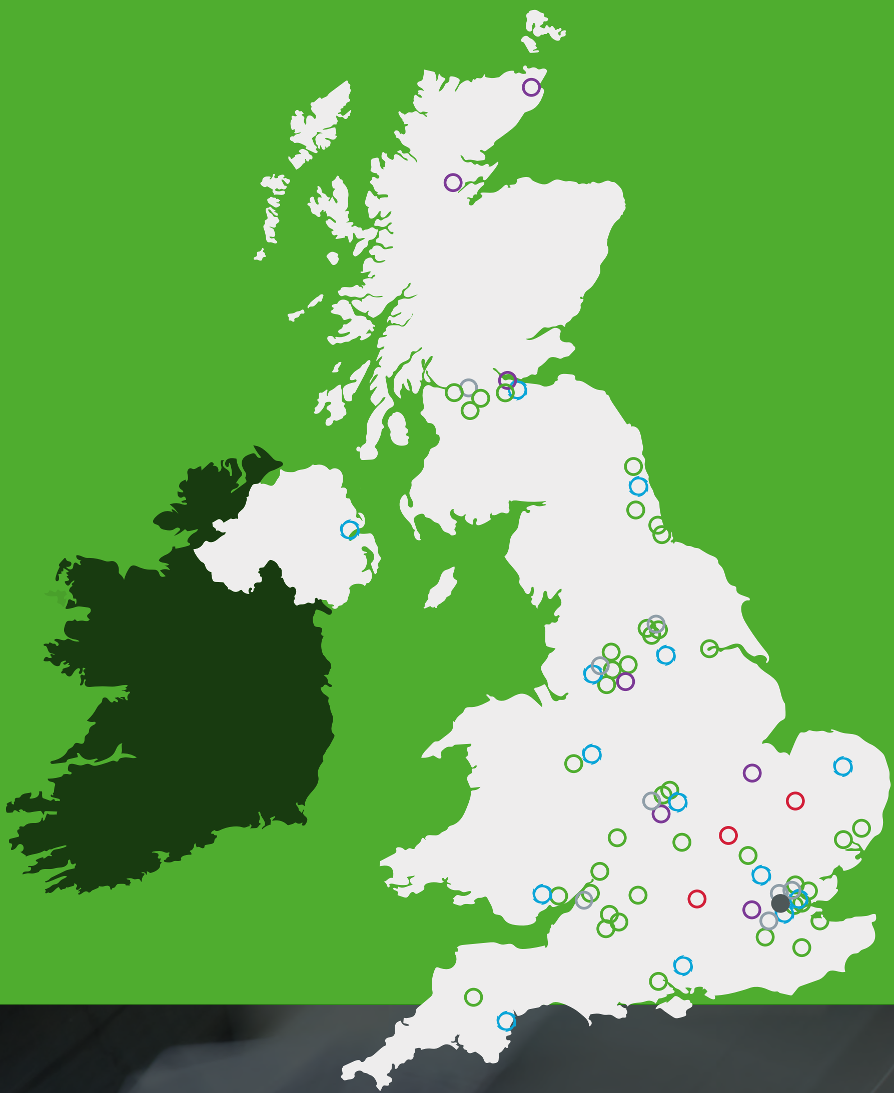
Restore Digital

Primary Activity:
Document digitisation

UK Market Position No.2

All of our businesses cover all of the UK market.

- Head Office
- Records Management
- Restore Datashred
- Restore Digital
- Restore Harrow Green
- Restore Technology



Relocation Division

Operating margin (%)

11%

Revenue (£'m)

2017	£49.3m
2016	£39.3m

+25%

Operating profit (£'m)

2017	£5.2m
2016	£4.5m

+16%

Restore Harrow Green

Primary Activity:
Workplace relocation

UK Market Position
No.1

Restore Technology

Primary Activities:
Secure data destruction,
IT hardware recycling, IT relocation
and Printer cartridge recycling

UK Market Position
Top Ten

Chairman's Introduction

In my first Chairman's Statement since taking on the role at the beginning of this year, I am pleased to report another year of strong progress by your Company.

Overview

The results speak for themselves. Restore continues to extend its position as an important operator in the UK office services market. It remains focused on activities where it can generate excellent returns with strong visibility. It is a leader in its primary activities and it has an impressive track record of continually strengthening its market positions.

Results

For the year ended 31 December 2017, adjusted profit before tax was £31.2m on revenues of £176.2m. Both adjusted profit before tax and revenue were up 36% year-on-year. Adjusted earnings per share increased by 25% to 22.4p. These results reflect the successful integration and full-year contribution from PHS Data Solutions, acquired in August 2016, and further good organic growth across the Group.

Strategy

Restore is one of the two UK market leaders in each of our four main activities. These activities all share certain key characteristics such as predictable revenues, high customer retention and a similar channel to market, and the performing of complex and often mission-critical services. All of these activities, and some of our smaller but fast-growing activities such as IT recycling, have been steadily and swiftly built through acquisition and organic growth, but never at the expense of compromising customer service. As a result, we have a formidable platform from which to continue to strengthen our position in the UK office services sector.

People

It is an honour to succeed Sir William Wells as Chairman. Sir William and our Chief Executive Charles Skinner took on what was a small and struggling enterprise in June 2009 and have built it into a major company in the UK support services sector. With his wealth of experience, Sir William has guided the business adroitly over the last nine years, with a judicious blend of ambition and good sense. We wish him well in his retirement.

Restore operates a highly decentralised model where power and responsibility are locked together and our people are encouraged to assume as much responsibility as possible. The success of the business reflects their abilities and passion, and I thank them for what they have achieved. I am pleased to report that we will be launching a company-wide Sharesave scheme in the next few weeks so all of our people have the opportunity to share in the success of the Company in line with our shareholders.

Investor proposition

Strong, predictable, recurring revenues with high customer retention

The vast majority of our sales, particularly in records management, derive from services where the revenue is consistent and customers find it unnecessary and unattractive to switch from a competent and efficient supplier.

Complex and mission-critical operational services, generating attractive operating margins

Our services are specialist and capital-intensive. They are important to our customers' day-to-day operations but cannot be performed cost-effectively in-house. Scale and efficiency means we can add significant value to our customers while generating attractive returns on investment.

Drive market consolidation and operating margins through add-on acquisitions

Our buy and build strategy combined with highly effective post-acquisition integration produces increased scale and efficiency. This increases operating margins and returns on capital. This in turn builds barriers to entry as competitors will achieve lower returns. This is particularly true in the stable markets in which we operate.

Dividends

Your Board is recommending a final dividend of 3.33p, payable on 6 July 2018. The total dividend for the year is 5.0p, a 25% year-on-year increase. This reflects the Board's firm intention to follow a progressive dividend policy.

Martin Towers
Chairman
21 March 2018

"Restore is now one of the two UK market leaders in each of our four main activities. These activities all share certain key characteristics such as predictable revenues, high customer retention and a similar channel to market, performing complex and mission-critical services. We now have a formidable platform from which to continue to strengthen our position in the UK office services sector."

Integrate and improve acquired businesses

With an established and successful business model, post-acquisition management becomes process-driven. Duplicated costs can be removed, capacity rebalanced and investment made as appropriate. With well over thirty acquisitions integrated in the last eight years and strong business models in all our operations, our acquisitions create significant value.

Drive organic growth through cross-selling opportunities

With strong market positions, we know our markets well and can compete strongly on pricing. Our huge customer base of UK offices currently taking services from our individual businesses within the group, coupled with our longstanding group-wide customer relationship management system, gives our salesforces a head start in generating new business from existing group customers.

Competitive advantage through UK focus and market knowledge

We believe that the benefits of scale for our services do not generally extend beyond a discrete geographical land mass. We understand how UK offices work, we have significant penetration of this market and we tailor our services to this specific market.

We understand what it takes for UK offices to work well, and we understand our customers: the IT and facilities managers responsible for keeping their offices running smoothly, efficiently and securely.

Some of our Top 500 Customers

Accenture Adidas AdminRe Admiral Insurance ADT Advent International AIG Europe Ltd Airbus AkzoNobel Alix Partners Allen & Overy Alliance Trust Allianz Allied Domecq ALLIED DUNBAR Amazon American Embassy American Express Amey Aon Arthur J Gallagher WS Atkins ATOS Origin Aviva plc AXA Babcock BAE Systems Balfour Beatty BAM Construct Bank Of Tokyo-Mitsubishi Barclays Bank PLC Barnardos Basildon & Thurrock University Hosp BBC BDO Begbies Bellrock Berwin Leighton Paisner Bidvest Biffa Birmingham City Council Bloomberg BNP Paribas Limited BNY Mellon Bolton Hospital NHS Trust Bouygues Bradford & Bingley Breast Cancer Care Brighton & Sussx University Hospital NHS Trust Brit Group British Film Institute British Transport Police Broadgate Brown Shipley BT Bunzl BUPA Burberry Burges Salmon Bywaters C Hoare Capita Cardif Pinnacle Cardiff & Vale UHB Care UK CARNIVAL Cartus Corporation CBRE Central Bedfordshire Council Central Manchester University Centrica Charles Russell Chase de Vere City Hospitals Sunderland NHS Trust City of London Police Westminster City Council Civil Aviation Authority Clifford Chance CMS Cameron McKenna LLP College of Policing Compass Computacenter Cornwall Council Countrywide Coventry & Warwickshire Partnership Trust Credit Agricole Credit Suisse Crossrail Crown Estates Cushman Wakefield Cwm Taf Health Board DAC Beachcroft Daisy David Lloyd Leisure De Monfort University Debenhams Deloitte Derbyshire Police Deutsche Bank DHL Didcot Power Station Diligenta DLA Piper Doncaster & Bassetlaw Hospitals NHS Trust DS Smith Recycling Dyson Ealing Hospital NHS Trust East & North Herts NHS Trust Egon Zehnder Emprise Engie English Heritage Essentra European Bank of Reconstruction and Development Facebook First Choice Freeth Cartwright LLP Freshfields Bruckhaus Deringer FTI Consulting G4S Gateley GE General Medical Council Geoffrey Osborne Limited George Eliot Hospital NHS Trust Gloucestershire Hospital NHS Foundation Trust Goldman Sachs Grant Thornton Greggs Hachette Hackney Council Halcrow Group Hampshire Hospitals NHS Foundation Trust Hertfordshire County Council Hill Dickinson Hiscox PLC Historic England HMRC Hogan Lovells Hewlett Packard HSS Hire Hyperion Insurance Group IBM ICAEW Imperial College London Infosys Interserve Investec Irwin Mitchell ISS JLL JLT Group Johnson Controls JP Morgan Kennedys Law KENT POLICE AUTHORITY Keoghs Solicitors KERRY FOODS Kier Kings College London Kingsley Napley Kingston University Kirklees Council KNIGHT FRANK KPMG Ladbrokes Laing O'Rourke Lancashire Teaching Hospitals NHS Foundation Trust Land Registry Legal & General Leicestershire Partnership NHS trust Liverpool Victoria Insurance Liverpool Womens NHS Trust London & Quadrant Housing Trust London Borough of Barnet London Borough Of Camden, LBC London Borough of Croydon London Borough of Ealing London Borough of Tower Hamlets London Fire and Emergency Authority London Metropolitan University London Probation Trust Lorne Stewart Luton & Dunstable Hospital Lyreco Mace Macfarlanes Manchester City Council Mapeley Estates Limited Marsh & McLennan Mayer Brown MBDA Medical Protection Society Meggitt Merck Merseyside Police Metro Bank Miller Insurance MITIE Mizuho Nabarro LLP National Conservation Service National Crime Agency National Grid National Museum of Wales Nationwide Building Society Natixis NDA Archives Ltd Nestle Nestor Healthcare Group Net-A-Porter Group Newcastle University NHS Commissioning Board (Berkshire) NHS Digital NHS Doncaster CCG, DON NHS Dumfries & Galloway NHS England NHS PROPERTY SERVICES NM Rothschild North Bristol NHS Trust North East London NHS Foundation Trust Northern Powergrid Northumberland Tyne & Wear NHS Novartis OCS Odeon Cinemas Omnicom Oracle Ove Arup Oxford Radcliffe Hospitals Perkin Elmer Pinsent Masons Pitney Bowes Priory Provident Financial Prudential PwC QBE R R Donnelley Rathbones Raytheon Systems RBS Renfrewshire Council Reynolds Porter Chamberlain Ricoh RM Results Royal Bank of Canada Royal College of Music Royal Mail Group Royal United Hospital Bath NHS, RUH RSM Salford Royal NHS Foundation Trust Sandwell MBC Savills plc Science & Technology Facilities Council Scottish Police Authority Serco Sheffield Teaching Hospital Shire Pharmaceuticals Skanska Societe Generale Sodexo South Essex Partnership NHS Trust South Gloucestershire Council Southwark Council Specsavers Spire Healthcare Squire Paton Boggs St Georges University Hospital NHS Foundation Trust St James Place Stirling Council Student Loans Company Suffolk Constabulary SUFFOLK COUNTY COUNCIL Surrey & Sussex Hospital Sussex Community NHS Trust Swiss Re Services Ltd Ted Baker Tesco The British Library The Co-operative The Crown Estates The Equality & Human Rights Commission The Financial Ombudsman Services Limited The Golden Jubilee Hospital The Institution of Engineering and Techn The Restaurant Group (TRG) The Robert Jones and Agnes Hunt NHS FT Thomson Reuters Threadneedle Thrings TK Maxx TLT SOLICITORS Torbay and South Devon NHS Foundation Trust Total Oil & Gas Towergate Willis Towers Watson Trafford Council Travers Smith LLP Trinity Mirror UBS UK Border Agency United Lincolnshire Hospitals University College London University Hospital of Leicester NHS Trust University Hospital Southampton NHS Foundation Trust UNIVERSITY HOSPITALS BRISTOL [2243] University of Leeds University of Liverpool University of Manchester Veolia Virgin Care Wakefield Metropolitan District Council Walker Morris Walsall Metropolitan Borough Council West Herts NHS Trust (Current , WH6 West Midlands Police West Yorkshire Police Williams Lea Wiltshire Council Xchanging Xerox Zurich

Strategic report

Our markets

The areas in which we operate are coherent: Records Management, Shredding and Digital (primarily scanning) are all elements of Document Management which together with the activities of our Relocation division share a similar customer base where 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 enables cross-selling whose effectiveness can be constantly monitored.

Document Management

Records Management

Worth an estimated £500 million per year, the UK market of this global industry has been established for over thirty years and continues to grow at an estimated 4% per year.

High barriers to entry are generated by efficiencies of scale, the investment required to meet increasingly higher regulatory standards and the difficulty in acquiring new customers who can see little benefit in changing suppliers. Operators with scale in a market such as the UK benefit from being able to provide full geographical coverage, as well as space and cost savings.

As one of the two leading records management businesses in the UK, we offer national coverage from forty-five sites and one of our core differentiators is understanding the specific requirements of UK customers. We continue to build scale, manage costs to drive operating margins and increase revenues through market consolidation and cross-selling.

Shredding

The UK secure shredding and recycling market is estimated to be worth £280 million per year.

Sales are generated from two sources:

- the collection and secure destruction of documents
- sales of baled, shredded material for recycling into products such as tissues.

Demand for secure destruction continues to grow, particularly to meet the latest General Data Protection Regulations which come into force in May 2018.

The key factor driving profitability in shredding is route density: the more customers a shredding business has, the more efficient its collection scheduling should be. For smaller operators, it is uneconomic to service large customers with branches with a wide geographical spread.

Restore Datashred is one of the two leaders in the UK shredding market. The business has fourteen sites providing nationwide on-site and off-site services.

Digital

It is difficult to assess the size of the UK digitisation market because different types of businesses provide document imaging services, ranging from scanning bureaux to business process outsourcing, reprographics and process consultants. An estimate of the market could be £600–£700 million per year.

Restore Digital's primary operation is the conversion of hard copy documents into electronic data, through scanning bureaux where paperwork is prepared and passed through high-speed scanners. A key element in this process is investment in technology and machinery to minimise handling time and provide automated indexation; scale plays a significant role in being able to make this investment. Restore Digital also supplies advisory and supervisory services.

We are one of the two largest scanning businesses in the UK operating from six sites as well as several facilities on our customer sites. Much of our work is of a recurring, contracted nature such as scanning exam papers and major long-term projects such as the digitisation of health records.

Acquisitions in 2017

9 January 2017
Reisswolf Wales, a secure shredding business based in Welshpool

23 January 2017
Bedfordshire-based ID Secured Limited, a secure shredding business, trading as Reisswolf London

20 February 2017
The ITAD Works Limited, a Surrey-based IT recycling company

7 March 2017
The remaining 17% share in our IT relocations business Relocom Limited

11 July 2017
The UK-wide shredding activities of the Banner Group

31 July 2017
Dorset-based records management business, Solutions for Archiving

14 August 2017
Baxter Confidential Limited, a secure shredding and archiving business based in Winchester

8 September 2017
Lombard Recycling Limited and Data Shred Limited, two related secure shredding businesses in London

Relocation

Business Relocation

Demand for high-level corporate and specialist workplace relocations in the UK continues to remain buoyant. While a stable economic background is helpful, corporate relocation remains active in less favourable economic conditions as companies reconfigure their workspace.

It is a demanding market as success is based on sophisticated logistics and complex project management to meet customers' mission-critical requirements. Relationships are long-term, with the majority of business deriving from regular reconfigurations from existing customers.

As the number 1 provider of workplace relocations services in the UK, Restore Harrow Green offers national coverage and is well established, with a blue chip customer base for whom skills in complex project management are essential.

Restore Technology

Our IT Lifecycle Services, IT Relocation and Printer Cartridge Recycling businesses now operate under the Restore Technology banner.

IT Lifecycle Services, formerly known as IT Efficient, operates in the IT asset recycling market where there is increasing focus on responsible handling and secure destruction of IT hardware. We are also providing more Lifecycle Services, taking responsibility for our customers' hardware throughout its working life.

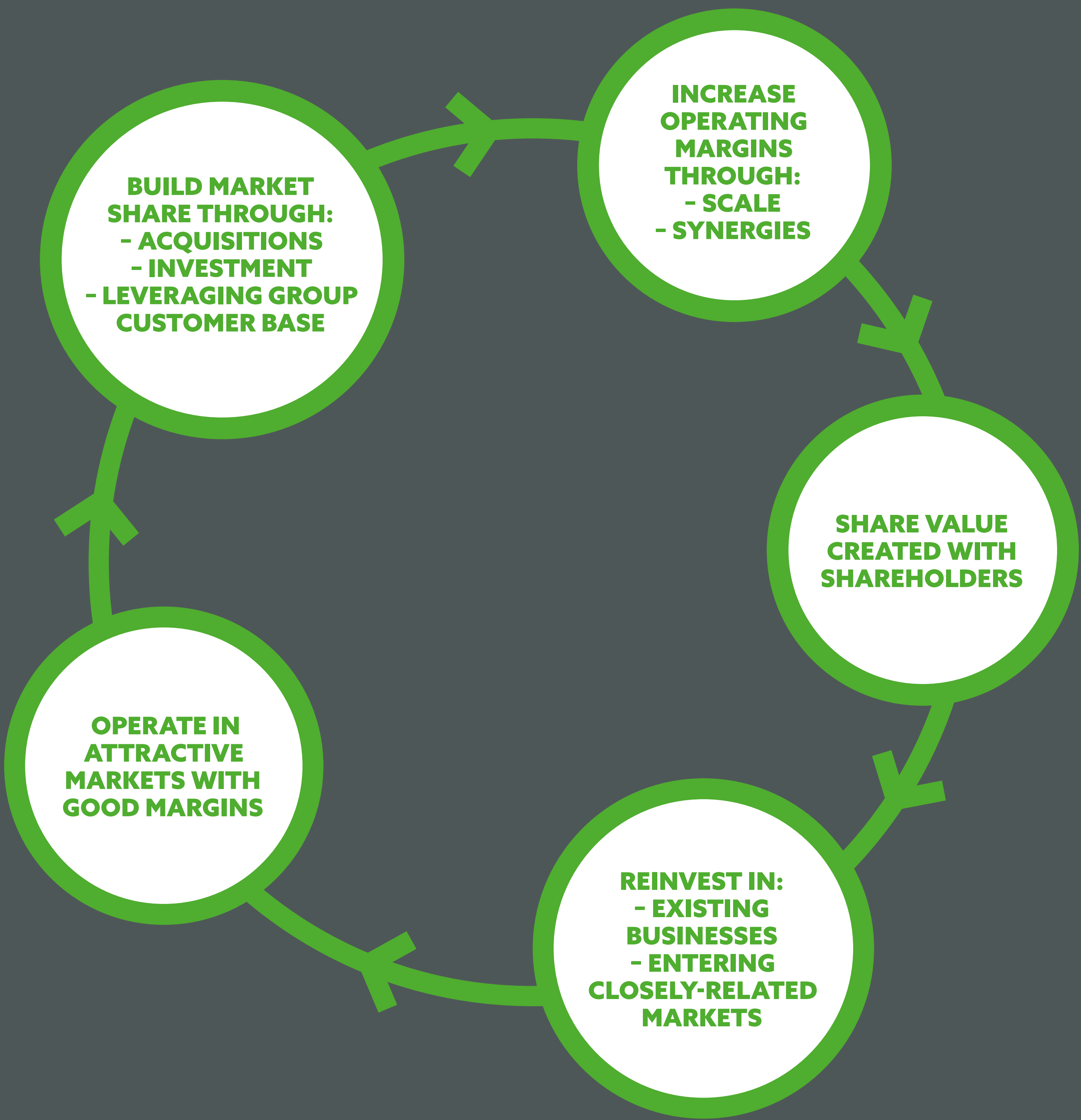
IT Lifecycle Services has a strong market position, particularly in the insurance and financial sectors, providing services to five of the world's leading investment banks. Our presence in this market has doubled in the last year following the acquisition of The ITAD Works in February 2017. Due to the critical nature of this type of service, customers are very reluctant to switch from a competent supplier.

Our IT Relocation activities, formerly known as Relocom, specialise in server and data centre relocation and offer other complementary services around IT equipment asset audit, moves and changes, and now equipment installation and deployment. It works closely with Restore Harrow Green, delivering a complete relocation package, and provides our IT Lifecycle Services business with asset recycling opportunities.

Restore Technology also includes our IT Printer Cartridge Recycling business, formerly know as ITP. It is the UK's leading collector of empty toner cartridges which are collected in local markets and sold on in bulk to refillers and original equipment manufacturers around the world.

Our business model and strategy

We provide inter-related office support services to customers throughout the UK, using our proven acquisition-based model, resources and expertise to create value that is shared with our investors and used to fund continued growth.



Our Customers' Needs

Our market is primarily UK offices where we offer a range of closely related services. These services are operationally complex and mission-critical. They generate recurring revenues as they are generally required regularly. High-quality performance is necessary but, if this is delivered, customers benefit from the consistency of the existing supplier. Our businesses benefit from being market leaders in sectors where scale generates significant cost effectiveness and enables larger multi-branch customers to be serviced by a single supplier.

Our Customer Base

Our customer base covers a broad range of both private and public sector entities. Examples of our market sector penetration includes:

90%
of top 100 UK legal practices

74%
of UK National Health Trusts

55%
of local authorities in England, Wales and Scotland

80%
of FTSE 100 companies

80%
of top 50 UK accountancy companies

Our Business Philosophy

We believe that power and responsibility should be locked together and driven as far down the acquisition as possible. As part of this, we operate a decentralised model, with autonomous divisions supported by a small head office.

Many industries, particularly business-to-business services, are based around an established channel to market. The key advantage that our divisions derive from being part of the Restore Group is that they all share a similar channel to market. Through our long established Groupwide Customer Relationship Management system, we expect to know who the key decision makers are within our customers and to be able to offer them the other services that we provide.

Our Key Resources and Capabilities

- Competitive advantage through our scale, tight cost control, UK focus and market knowledge
- Longstanding customer relationships
- Nationwide coverage
- Motivated, capable people
- Efficient processing assets across the UK
- Track record in integrating and improving acquisitions
- Responsible leadership

Our Acquisition Strategy

Our businesses benefit from scale in the UK market. The services we supply are those where customers see little benefit in changing suppliers. Acquisitions are the logical way to accelerate business growth and create value.

The synergies we can generate from acquisitions means that we can offer the owners of the acquired businesses an attractive valuation while achieving a highly attractive return on capital for our investors.

We have a proven track record in integrating acquired businesses and in maintaining and improving service levels to our acquired customers.

Chief Executive's statement

Results

For the year ended 31 December 2017, profit before tax, exceptional items, amortisation of intangible assets and share-based payments charge was £31.2m, a year-on-year increase of 36% (2016: £23.0m). Turnover was £176.2m (2016: £129.4m). Earnings per share on an adjusted basis were up 25% at 22.4p (2016: 17.9p).

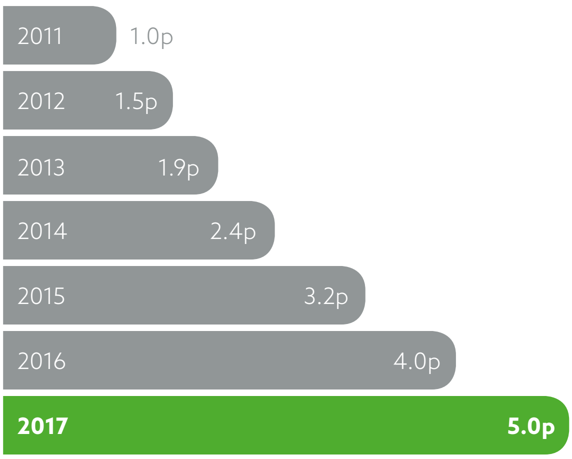
Much of the year-on-year growth derived from the first full-year contribution from PHS Data Solutions ("PHS DS"), which was acquired in August 2016. PHS DS has been a highly successful acquisition for our Document Management division. It transformed our shredding business into one of the two UK market leaders and added critical mass to both our records management and scanning businesses. But there is more to these results than one successful integration. Organic revenue growth across our Group ran at 7%, with all of our activities showing year-on-year growth. Overall operating margins across the Group were broadly flat at 19.1%, which is a good achievement given that businesses acquired over the last two years such as PHS DS were all previously operating at margins below this.

Document Management Division

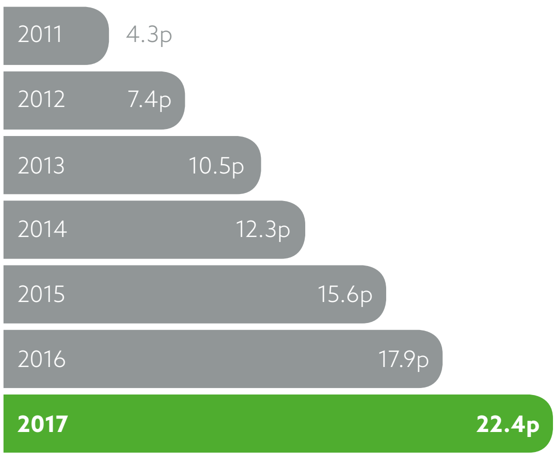
Our Document Management division comprises our records management, shredding and scanning activities. It increased revenue by 41% to £126.9m (2016: £90.1m). Operating profit increased 41% to £31.0m (2016: £22.0m). These figures reflect the first full year of the successful integration of the PHS DS acquisition. Organic growth in the division was 5%.

Restore Records Management remains comfortably the Group's largest business in terms of profit contribution. Operating as Restore Records Management, we store more than 15 million boxes across forty-five UK sites, as well as storing other ancillary materials. The leading indicator of growth is annual net box growth, which continued to remain positive. Organic growth of new boxes from existing customers was robust and new business wins were also steady.

Dividend per share (p)



Adjusted earnings per share (p)



"Much of the year-on-year growth derived from the first full-year contribution from PHS Data Solutions. But there is more to these results than one successful acquisition."

Destruction rates were slightly higher than the historic trend and we continued to see comparatively high levels of box removal, driven by an ongoing long-term exit of a major customer from an acquired business. Revenue growth was also helped by improved scope to increase prices to reflect rising rental and employment costs.

A key determinant of profitability is occupation rates, which were around 93% at year-end. We have been successful in increasing occupancy rates at the acquired PHS DS sites, which were running at 82% at the time of acquisition. We vacated the Leyton site, which was part of the PHS DS acquisition, and completed the vacation of the Charlton and Bristol sites, which were respectively part of the Cintas and Wincanton acquisitions. We regularly review our portfolio and have a programme of exiting unsuitable sites as lease terms allow and developing more appropriate locations. In recent years we have expanded our capacity in our freehold site outside Bath and taken more former aircraft shelters at our site in Oxfordshire. As part of this programme, we are also expecting to expand our site in Rainham, East London.

We continue to look for further acquisitions to consolidate our position as one of the two major records managers in the UK. During the year we acquired a small records management business in Dorset and also acquired some box contracts as part of a shredding acquisition.

Restore Datashred, our secure shredding and recycling business, which primarily comprises the acquired PHS Datashred operations, performed satisfactorily and showed good organic growth. The UK market for shredding continues to grow as enterprises become increasingly aware of the importance of secure destruction. Demand for high-quality office paper for recycling also remains strong. Profits were in line with those expected at the time of the PHS DS acquisition, with stronger revenues balanced by higher than budgeted costs. During the year, the business moved off its former parent's operating systems. This was a major task involving the creation of new operating systems and a new back office, significant training for our staff, and the education of customers on new processes. This transition had an adverse effect on debtor collection in the year but the continued revenue growth of the business during this testing period is testimony to its strength.

Restore Datashred's organic growth was supplemented by several acquisitions that further strengthened its market position as one of the two major UK operators. Of the five acquisitions made during the year, only one acquired site has been retained for long-term development, and all the former Restore shredding sites have now been closed. We continue to invest in our operational infrastructure: our South London operations will shortly move into a new flagship site in Crayford, which will significantly increase our capacity and efficiency in the key London area. We are also relocating our branch in Livingston, Scotland, to a more modern site.

The key metric for operating profitability in secure shredding is revenue generated per collection vehicle. It is a route-density business where scale has considerable advantages in terms of vehicles collecting from more sites in the same area, which provides consistent and increasing volumes for local processing plants. Further benefits derive from being one of the only two operators able to service national customers from our own resources. We continue to see significant scope for consolidating what is currently a highly fragmented and growing market.

Restore Digital, formerly Restore Scan, grew revenues and recorded double-digit operating profit margins, a significant improvement on previous years. It successfully executed its major contract for scanning exam papers in May and June and this contract has now been extended for another five years.

Chief Executive's statement continued

It continues to work on long-term partnering contracts with customers such as the Nuclear Decommissioning Authority, as well as on major medium-term projects, particularly with NHS Trusts on digitising patient records. It benefits from a regular flow of work as well as occasional short-term one-off projects, including a major public sector project executed in the first quarter of the year.

The scanning operations of PHS DS have now been fully integrated, increasing the business's critical mass and the breadth of its offering. Subsequent to the acquisition, sites in Leyton, Birmingham and a central London office were closed, along with a facility in Oldham that was closed after a contract for the sole customer that it served moved towards completion. We now operate from six sites across mainland Britain, as well as facilities on our customers' sites.

In the core scanning area, we are now one of the two main UK operators, and therefore able to support a substantial technology-driven overhead in a market with many small scanning operators. While capacity can easily be brought on-stream at many of these smaller businesses, they are typically unable to keep pace with technological development and increasingly sophisticated customer requirements. We have made two small acquisitions in this area since the year-end and we continue to believe there is considerable scope to consolidate this fragmented market.

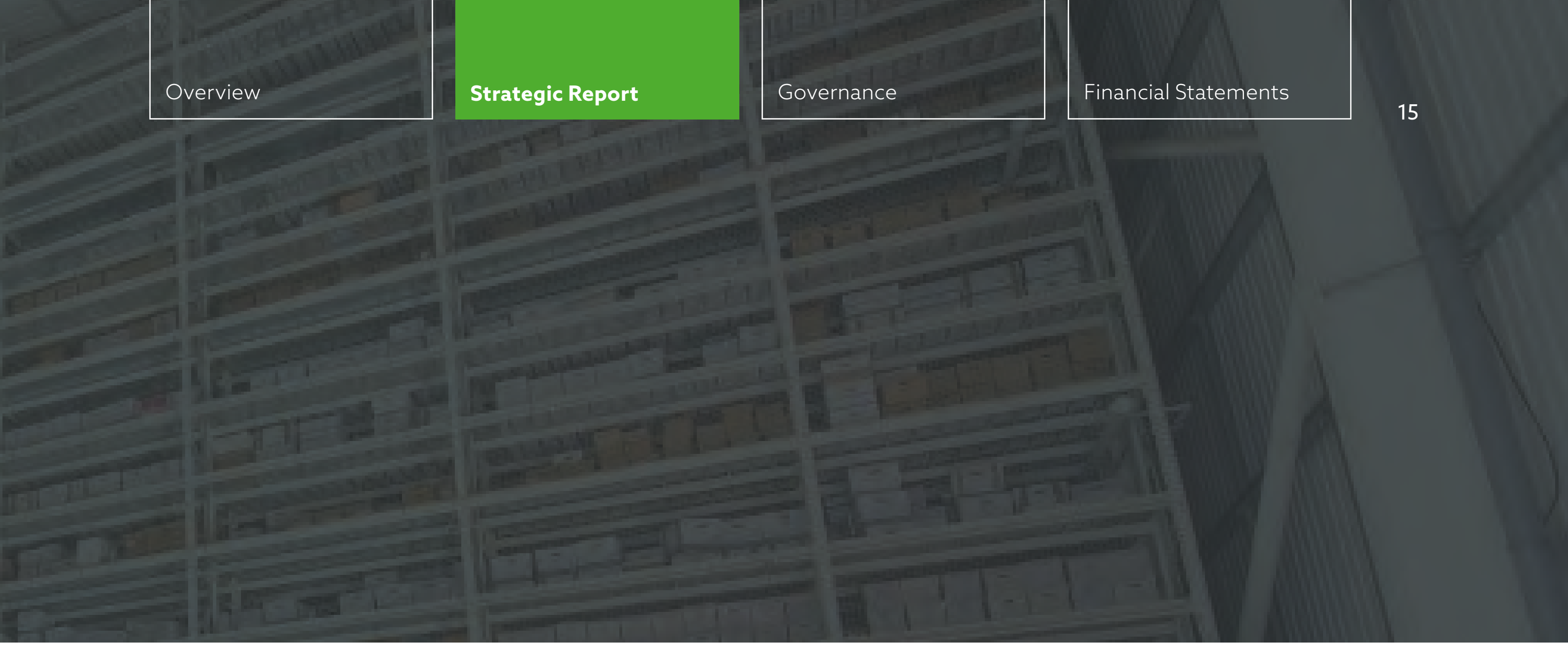
The General Data Protection Regulations ("GDPR"), which come into force in May 2018, can be expected to put more focus on the importance of professional document management. We believe that, as the leading UK document management business with market-leading capabilities in storage, shredding and scanning, we are well-positioned to play a leading role in this development. We expect to see more major projects for our records management operations, which may in turn lead to higher destruction rates, particularly in the short-term. As a result, we expect strong growth in the shredding market, as more enterprises understand the need to ensure secure shredding of relevant documents, and also in scanning, driven by the need for enterprises to access their customer data more quickly.

Relocation Division

Our Relocation division comprises the leading UK office relocation business, Restore Harrow Green, and Restore Technology which is made up of our IT recycling businesses, formerly known as IT Efficient and The ITAD Works, our IT relocation business, formerly known as Relocom, and ITP, our toner recycling business. The division increased revenue by 25% to £49.3m (2016: £39.3m). Operating profit increased by 16% to £5.2m (2016: £4.5m). Organic growth in the division was a remarkable 13%.

Restore Harrow Green had another strong year. Our large regular customers remained generally busy and we re-secured long-term contracts with PWC, UBS and Anglia Ruskin University. We were also awarded a further outstanding element of the Ministry of Defence housing contract that we first secured in 2014, such that we are now the sole contractor. We undertook significant moves for a number of large customers, including Facebook, Bloomberg, Westminster City Council, Royal College of Surgeons, Provident Financial, Thales and NHS Dumfries & Galloway. There was some pressure on labour rates, particularly for HGV drivers, but we were generally able to pass additional costs on to our customers. We have moved our East London warehouse to a newer facility nearby. GMS, our international moves business, had a quiet year.

Our IT Lifecycle Services business, now trading under the **Restore Technology** name, had an excellent year and traded ahead of expectations. Our original business, IT Efficient, had progressed steadily since acquisition in 2013 and traded strongly in 2016.



"The General Data Protection Regulations which come into force in May 2018, can be expected to put more focus on the importance of professional document management."

We acquired The ITAD Works in February 2017 and the combined businesses have swiftly become a powerful force in their marketplace. This is an attractive business at an exciting stage of its development, with strong demand for secure IT disposal and recycling and customers increasingly looking to us to handle the full lifecycle of their hardware. The business has many established customer relationships and continues to expand its customer base, partly through Restore Harrow Green and other Group businesses. As part of this, we are moving our original business to a more modern site in Bedford. Our IT Relocation business, formerly Relocom, produced strong results, helped by the major move for Bloomberg. Our Printer Cartridge Recycling business formerly ITP, which also now trades under the Restore Technology name, has undergone significant change over the last 18 months and, although its market remains difficult, its performance has improved and we are hopeful that it will contribute to Group profits in the current year.

Restore as a Group

Both our divisions and the businesses within them operate in the same market, supplying services to UK offices. They generally share a similar customer base, within which all of our services are typically 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.

We have been making steady progress on our cross-selling over the past few years. For example, over half of our largest 200 customers in 2014 took only one service from us. Last year, of these same customers, less than a quarter only took one service.

As an illustration of our penetration of the UK market, across our Group, we provide a service to:

- 90% of the top 100 UK legal practices
- 80% of the top 50 UK accountancy companies
- 80% of FTSE-100 companies
- 74% of UK National Health Trusts
- 55% of mainland Britain local authorities.

Given the strong coherence of our businesses, we have committed to rebrand all of our businesses and the Group under the Restore banner. This has been driven by our operations rather than as a central initiative. As part of this, Harrow Green is being branded as Restore Harrow Green, with Restore Scan becoming Restore Digital and our IT Lifecycle Services and Printer Cartridge Recycling activities trading as Restore Technology.

Outlook

We continue to have an excellent platform for further growth in the UK office services market. Our records management business can be expected to grow steadily in the coming years and should make incremental improvements to its operating margins. Restore Harrow Green continues to build on its pre-eminent position in office relocation. Restore Datashred, Restore Digital and our IT Lifecycle Services business are all in strong positions in growing, fragmented markets where we would expect to play a role in further industry consolidation.

We will continue to pursue our strategy of acquisitions and organic growth. We are well-positioned to gain further market share across all of our businesses. Trading at the start of the year has been in line with our expectations and we look forward to delivering another year of progress in 2018.

Charles Skinner
Chief Executive
21 March 2018

Group Finance Director's statement

Profit Before Tax

Profit before tax from continuing operations for the year ended 31 December 2017 was £9.7m (2016: £7.5m). The year-on-year increase in profitability can be attributed to;

- The full year contribution of the PHS Data Solutions ("PHS DS") acquisition which completed in August 2016
- A robust performance from the core Document Management division
- Another strong performance from our Relocation division
- This performance has been partially offset by an increase in exceptional costs.

Exceptional costs of £15.5m (2016: £10.3m) include the settlement of a proportion of the share options issued under the 2013 Executive Incentive Plan in cash (£7.2m). There were £6.7m (2016: £6.2m) of restructuring and redundancy costs which were largely incurred as part of the integration of PHS DS. 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 twelve months following an acquisition. Typically the restructuring and redundancy costs incurred equate to approximately the anticipated annualised cost saving.

Amortisation of intangible assets for the year was £5.4m (2016: £4.4m) with the increase attributable to the higher carrying value of intangible assets.

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 Restore Group's business. The items adjusted for in arriving at the underlying adjusted profit before tax are as follows:

Continuing operations	**2017 £'m**	2016 £'m
Profit before tax	9.7	7.5
Amortisation of intangible assets	5.4	4.4
Exceptional items	15.5	10.3
Share-based payments charge	0.6	0.8
Adjusted profit before tax	31.2	23.0

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

Continuing operations	**2017 £'m**	2016 £'m
Operating profit	12.2	9.5
Amortisation of intangible assets	5.4	4.4
Exceptional items	15.5	10.3
Share-based payments charge	0.6	0.8
Adjusted operating profit	33.7	25.0
Depreciation	6.0	4.3
Adjusted EBITDA	39.7	29.3

Earnings Per Share (EPS)

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 which in 2016 included tax credits relating to the exercise of share options and recognition of historic losses due to increased certainty of recoverability.

Continuing operations	**2017 p**	2016 p
Basic adjusted earnings per share	22.4	17.9
Basic earnings per share	6.9	10.3

"As part of the Group's strategy is to grow through acquisition it is essential that acquired businesses are restructured to integrate them fully into the Group's operations and deliver the anticipated returns."

Exceptional Costs

	2017 £'m	2016 £'m
Acquisition – transaction costs	0.5	1.2
Acquisition – box relocation and transport costs	0.5	0.4
Restructuring and redundancy costs	6.7	6.2
Other exceptional	7.8	2.5
Total	15.5	10.3

As part of the Group's strategy is to grow through acquisition it is essential that acquired businesses are restructured to integrate them fully into the Group's operations and deliver the anticipated returns. In order to give a suitable representation of underlying earnings it is appropriate to show these costs as exceptional along with any other items which are exceptional in nature. In the year the Group has continued to integrate and restructure the PHS Data Solutions business in addition to the seven smaller acquisitions made during the year.

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 a result of acquisitions. In the year the Group completed the closure of the Cintas Charlton site on schedule.

Restructuring and redundancy costs were £6.7m in 2017. As noted above these primarily relate to the PHS DS acquisition 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 £7.2m related to the cash settlement of a proportion of share options issued under the 2013 Executive Incentive Plan. As a result of this, 1,759,073 nil-cost options granted under the EIP were cancelled, thereby reducing the amount of ongoing share dilution. The Executive Directors used part of the cash settlement to fund the tax liability on the remainder of the options exercised.

Interest

Net finance costs amounted to £2.5m (2016: £2.0m) which reflects the increased average levels of debt experienced during the year as a result of acquisitions.

Taxation

UK Corporation Tax is calculated at 19.25% (2016: 20%) of the estimated assessable profit/(loss) for the year. The UK Corporation Tax rate reduced to 19% on 1 April 2017. The rate will reduce 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 slightly to £155.9m (2016: £152.1m). Goodwill and intangibles at 31 December 2017 were £193.9m (2016: £190.3m).

Property, plant and equipment totalled £46.1m (2016: £47.6m), 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 continued in 2017 and is now largely complete.

Group Finance Director's statement continued

Cash Flow

The net cash inflow from operations was £15.7m (2016: £18.2m). However 2017 includes a £7.9m outflow related to the cash settlement of EIP options already noted.

Net working capital usage in the year was £7.8m and partially reflects an unwind of a particularly strong end to 2016. The key movements can be summarised as:

- A £2.1m increase in trade receivables in our shredding business. The increase has been driven by the transfer onto new IT platforms following the transfer away from PHS supported systems. We would expect the debtor levels to return to normal levels as the new teams and system bed down in 2018
- Settlement of recharges and customer rebates totalling £1.6m that were outstanding at December 2016 as a result of the PHS Data Solutions acquisition
- An estimated reduction of £1.7m in other payables resulting from the conversion to monthly payments on account for VAT
- Payments against property provisions of £1.4m. This includes rent and rates on the Cintas Charlton site of £0.6m which has now been successfully exited
- Estimated organic growth related working capital of £0.9m.

Capital expenditure totalled £5.3m (2016: £5.2m). The Group has continued to invest in both the Scanning and Shredding businesses in addition to the investment required in our Storage business to bring the final chamber in the underground facility on stream.

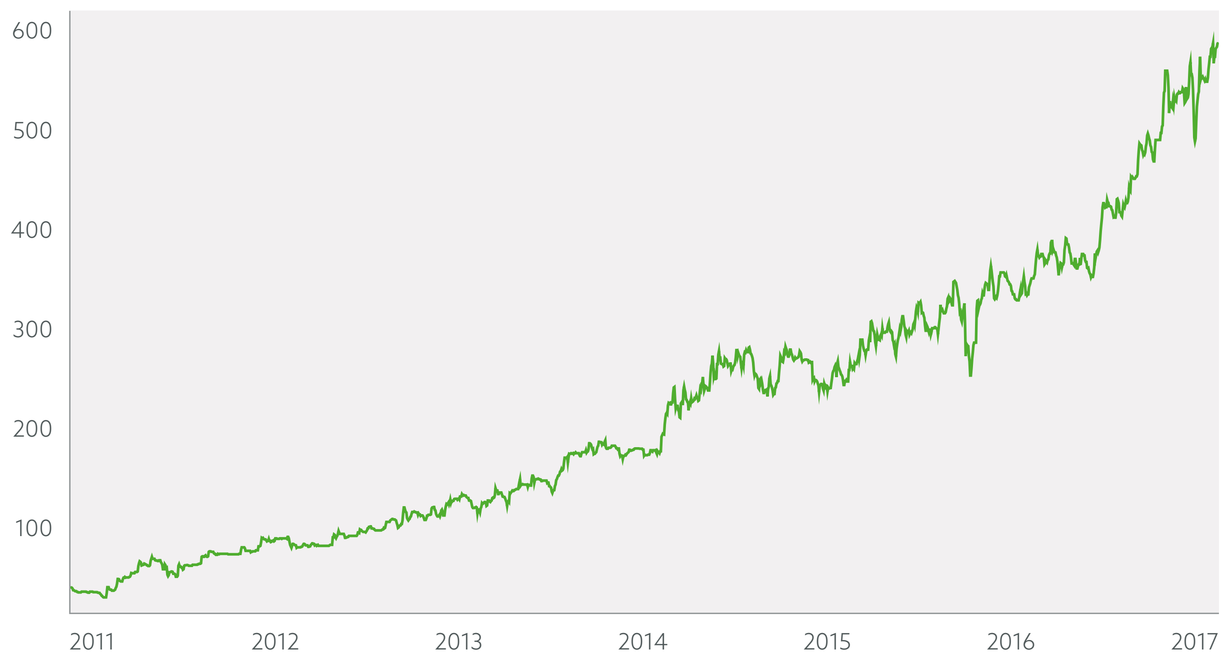
Net Debt

Net debt at the end of the year was £78.2m (2016: £72.3m) reflecting the seven acquisitions undertaken during the year. In September we announced that the Group has agreed an extension to its bank facilities with its lenders. The new arrangements have extended the existing facilities through to November 2022 and in addition provided a further £20m of committed funds and a £30m uncommitted accordion facility. These facilities put us in a strong position to continue our growth strategy for the foreseeable future.

Bank facilities at the end of the period totalled £110.7m comprising a £80.7m term loan and a £30.0m revolving credit facility. Total amount drawn against these facilities at the year end was £89.7m. 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
21 March 2018

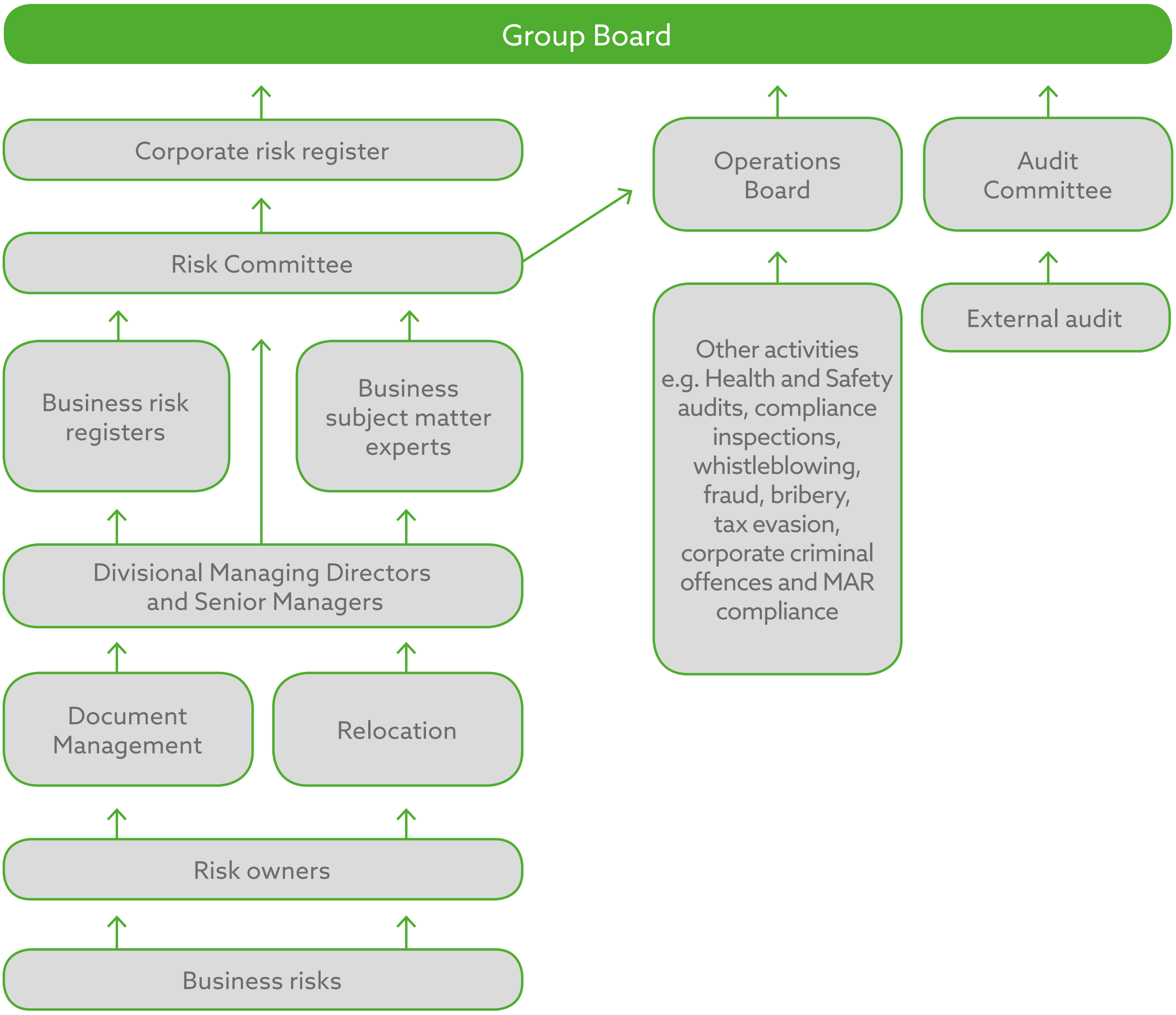
Share price (p)



Risk Management

Our Risk Committee is chaired by Sharon Baylay. We convene every four months and discuss and continue to assess our most significant risks. These include; people, property, infrastructure and IT, health and safety, financial, environmental and reputational risks. All of our divisions are represented within the Committee and we have updated risk registers completed every six months.

The Risk Committee reports directly to our Group Board and our Operations Board. We seek to understand our current or future risks and put a strategic plan in place should a potential area of concern be highlighted.



Principal risks and uncertainties

Risk	Potential impact	Risk mitigations
Finance and liquidity	Lack of liquidity driven by lack of profitability, failure to meet banking covenants or reduced appetite from banks to lend impacting the continuation of the strategy of the Group.	All of the Group's businesses benefit from high levels of recurring revenues and current trading is more than adequate to service financial obligations. Proforma leverage is comfortable at 2x EBITDA. Historically the Group has not had any issues in raising capital to fund its acquisition strategy.
Systems, technology and cyber attack risk	Financial and operational impact of a loss of systems or operational data in one or more of the Group's operations impacting day to day services.	The Group has disaster recovery plans in place in all of its businesses which are reviewed at appropriate intervals. Data is backed up to secure offsite locations.
Business property	Damage or loss of access to business property through fire, flood, terrorism, loss of power or services.	Regular risk assessments and audits undertaken to ensure risks are mitigated as far is practical. Insurance cover is maintained over business property and cover business interruption.
Market changes	Material change to business dynamics. Most notably any shift in the document storage market which results in a reduction in the volume of documents stored.	Business KPI's are monitored to identify any potential market trends to enable appropriate actions to be taken. In the event of a reduction in the physical storage of documents the Group expects to be able to manage its property portfolio down over a period of time in line with the nature of any such reduction.

Risk	Potential impact	Risk mitigations
Material increase in UK business property costs	Due to the high level of property costs in the Group, particularly in the records management business, a material increase in property costs could have a significant impact on the Group.	Increase in property costs are likely to have an impact across the markets that Restore operate in. As a result the Group expect to be able to pass on such increases in costs to our customers reasonably promptly.
HR and succession planning	Lack of succession planning across the Group for any potential key management positions.	Succession planning exercises have been undertaken for all of the key positions in the Group to identify potential internal development opportunities and where external appointments may be required.
Loss of confidential customer records	Potential financial and reputational impact of a loss of customer records/data.	The Group ensure all staff adhere to training guidelines and understand data protection legislation. Where appropriate vehicles are tracked and staff vetted. All of the Group's operations maintain accreditations appropriate to the activities undertaken. The Group also maintains adequate insurance for such events.
Injury or death through workplace accidents	As many of the Group's operations involve physical labour, use of machinery and transport, there is a potential exposure to accidents, including RIDDOR incidents.	The Group has well established training, accident reporting procedures, and processes in place to mitigate such risks. These are overseen by the Risk Committee and Group Board.

Corporate Responsibility statement

Employee Welfare and Diversity

We seek to recruit and retain the best employees. Our view is that encouraging diversity amongst our workforce helps us achieve this and ensures we deliver the best service to our customers.

We believe that power and responsibility go hand in hand. Employees know what is expected of them and have the power to make decisions to meet those expectations.

We aim to ensure our workforce is representative of society and each employee feels respected and able to give their best.

We are committed to equality and fairness for all employees, and do not discriminate on the grounds of gender, gender reassignment, marital status, race, ethnic origin, colour, nationality, national origin, disability, sexual orientation, religion or age.

As our Group increases in scale, we are able to offer greater stability, development and career opportunities to our people, but without losing the flexibility to treat people as individuals.

Health and Safety

Health and Safety is overseen by our Risk Committee and Group Board, and we strive continually to improve our performance. This year we implemented a new accident reporting system across our Document Management division, which has helped improve our training methods.

We are proud of our low incident rate and always seek ways to improve our training and reporting, as employee welfare is at the heart of our business.

Health and Safety Incidents

	Document Management		Relocation	
	2017	2016	**2017**	2016
Employee Man Months	15,611	9,290		
Employee Man Hours*			1,225,750	1,128,173
RIDDOR Events	10	2	8	7
Near Miss Events	23	18	4	2
RIDDOR events per man month	0.06%	0.02%		
RIDDOR events per man hour			0.0006%	0.0006%

* Measured in hours due to the nature of the Relocation business.

RIDDOR – Reporting of Injuries, Diseases and Dangerous Occurances Regulations 2013.

Sustainability

Energy conservation, waste management and the prevention of pollution are key considerations within our operations. We work hard to:

- reduce consumption of materials and promote re-use and recycling. We aim to achieve 0% landfill, including furniture unsuitable for redistribution
- achieve ongoing improvement in environmental performance and minimise the impact of our operations on the environment
- minimise the impact of our buildings, structures and operational plant by reducing visibility and noise.

We support customers by helping them to:

- make more efficient use of office space and public service facilities by storing documents in remote premises
- improve access to important documents
- reduce their carbon footprint and increase recycling
- Restore Harrow Green, IT Lifecycle Services and Printer Cartridge Recycling provide ways for our customers to contribute to charitable causes through donations of furniture, IT equipment and payments in lieu of cash-back programmes.

We also take steps to minimise our use of natural resources:

- Archive boxes: the boxes we use are made from material that is 70% recycled, along with responsibly sourced FSC-certified raw material
- Fuel and fleet management: our modern fleet is optimised for fuel efficiency, and we plan routes to reduce fuel use and enhance vehicle utilisation
- Energy management and recycling: we continue to follow the plan produced for us by the Carbon Trust to reduce our environmental impacts through recycling and reducing energy consumption. Through its work with Planet First, Restore Harrow Green has further reduced its carbon footprint by 6.8% at year end 2017

80,000
Tonnes of paper shredded

505,000
Paper briquettes produced

450,000
IT assets recyled

- Lighting: we continue to migrate our storage facilities to a mix of ultra-low wattage LED lighting, very slim T5 fluorescent tubes and PIR sensors.

We have a 0% landfill target for our businesses involved with secure disposal:

- Shredding: In 2017 we produced 80,000 tonnes of shredding materials for recycling, in addition to 505,000 paper briquettes from our shredding dust extraction process, which are recycled into paper goods
- IT asset recycling: we processed 450,000 items – from PCs to mobile phones – and refurbished them for resale or stripped them down to component level so that elements (such as precious metals) could be recycled
- Printer cartridge collection: we not only collected and sent for remanufacture 1,200,000 proprietary printer cartridges but also sent over 1,330,000 for recycling.

Community and Charitable Initiatives

We care for the communities in which we work. Group initiatives include our work with the PricewaterhouseCoopers Growing Talent project, helping unemployed participants to find work, and our support for Crisis at Christmas, where we worked together to donate clothing, toiletries, food and transport to help them set up.

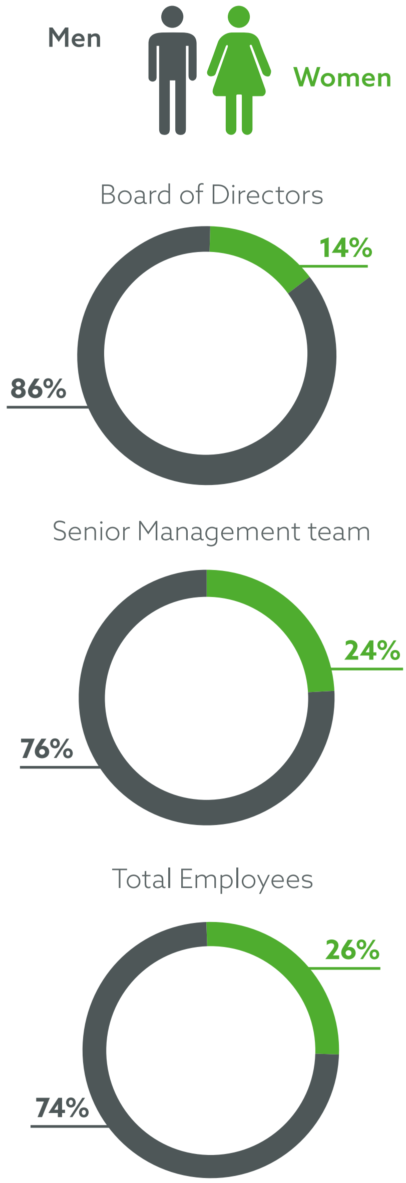
As well as providing local employment opportunities, our individual businesses also support charities and community groups in various ways. For example, Restore Harrow Green provided 701 metric tonnes of No Longer Needed assets to schools and local voluntary groups and offers services free of charge to deserving causes when possible.

Restore Records Management continues to support the Surrey Care Trust, which provides learning, training, volunteering opportunities and support for people held back through disadvantage and hardship, and the Willow Foundation, which helps people aged 16 to 40 who have been diagnosed with a life-threatening illness.

Restore Datashred have raised money for Share Tanzania this year, and also supports several regional hospices.

In addition to our Group initiatives, we encourage employees to support charities and help in our communities, by sponsoring fundraising efforts and by allowing time away from work to participate in events for a range of approved charities.

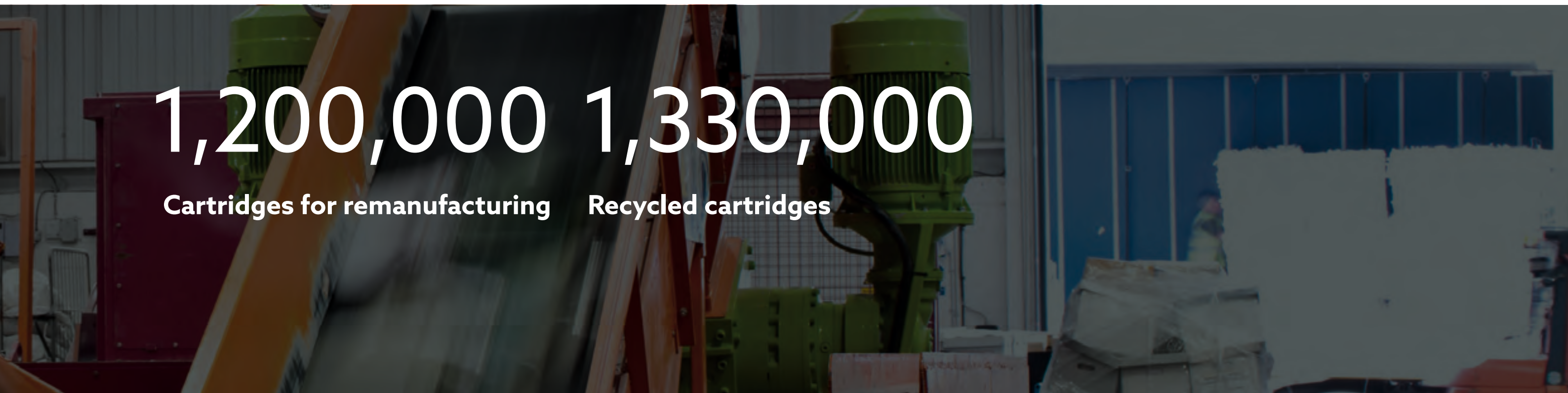
Group Diversity as at 31 December 2017



The Strategic report on pages 8 to 23 was approved by the Board of Directors on 21 March 2018 and signed on it's behalf by:

Charles Skinner
Chief Executive

Adam Councell
Group Finance Director



Our key principle is that power and responsibility go hand in hand. Our people know what is expected of them and we give them the power to make their own decisions.

Some of our Top 500 Customers

Accenture Adidas AdminRe Admiral Insurance ADT Advent International AIG Europe Ltd Airbus AkzoNobel Alix Partners Allen & Overy Alliance Trust Allianz Allied Domecq ALLIED DUNBAR Amazon American Embassy American Express Amey Aon Arthur J Gallagher WS Atkins ATOS Origin Aviva plc AXA Babcock BAE Systems Balfour Beatty BAM Construct Bank Of Tokyo-Mitsubishi Barclays Bank PLC Barnardos Basildon & Thurrock University Hosp BBC BDO Begbies Bellrock Berwin Leighton Paisner Bidvest Biffa Birmingham City Council Bloomberg BNP Paribas Limited BNY Mellon Bolton Hospital NHS Trust Bouygues Bradford & Bingley Breast Cancer Care Brighton & Sussx University Hospital NHS Trust Brit Group British Film Institute British Transport Police Broadgate Brown Shipley BT Bunzl BUPA Burberry Burges Salmon Bywaters C Hoare Capita Cardif Pinnacle Cardiff & Vale UHB Care UK CARNIVAL Cartus Corporation CBRE Central Bedfordshire Council Central Manchester University Centrica Charles Russell Chase de Vere City Hospitals Sunderland NHS Trust City of London Police Westminster City Council Civil Aviation Authority Clifford Chance CMS Cameron McKenna LLP College of Policing Compass Computacenter Cornwall Council Countrywide Coventry & Warwickshire Partnership Trust Credit Agricole Credit Suisse Crossrail Crown Estates Cushman Wakefield Cwm Taf Health Board DAC Beachcroft Daisy David Lloyd Leisure De Monfort University Debenhams Deloitte Derbyshire Police Deutsche Bank DHL Didcot Power Station Diligenta DLA Piper Doncaster & Bassetlaw Hospitals NHS Trust DS Smith Recycling Dyson Ealing Hospital NHS Trust East & North Herts NHS Trust Egon Zehnder Emprise Engie English Heritage Essentra European Bank of Reconstruction and Development Facebook First Choice Freeth Cartwright LLP Freshfields Bruckhaus Deringer FTI Consulting G4S Gateley GE General Medical Council Geoffrey Osborne Limited George Eliot Hospital NHS Trust Gloucestershire Hospital NHS Foundation Trust Goldman Sachs Grant Thornton Greggs Hachette Hackney Council Halcrow Group Hampshire Hospitals NHS Foundation Trust Hertfordshire County Council Hill Dickinson Hiscox PLC Historic England HMRC Hogan Lovells Hewlett Packard HSS Hire Hyperion Insurance Group IBM ICAEW Imperial College London Infosys Interserve Investec Irwin Mitchell ISS JLL JLT Group Johnson Controls JP Morgan Kennedys Law KENT POLICE AUTHORITY Keoghs Solicitors KERRY FOODS Kier Kings College London Kingsley Napley Kingston University Kirklees Council KNIGHT FRANK KPMG Ladbrokes Laing O'Rourke Lancashire Teaching Hospitals NHS Foundation Trust Land Registry Legal & General Leicestershire Partnership NHS trust Liverpool Victoria Insurance Liverpool Womens NHS Trust London & Quadrant Housing Trust London Borough of Barnet London Borough Of Camden, LBC London Borough of Croydon London Borough of Ealing London Borough of Tower Hamlets London Fire and Emergency Authority London Metropolitan University London Probation Trust Lorne Stewart Luton & Dunstable Hospital Lyreco Mace Macfarlanes Manchester City Council Mapeley Estates Limited Marsh & McLennan Mayer Brown MBDA Medical Protection Society Meggitt Merck Merseyside Police Metro Bank Miller Insurance MITIE Mizuho Nabarro LLP National Conservation Service National Crime Agency National Grid National Museum of Wales Nationwide Building Society Natixis NDA Archives Ltd Nestle Nestor Healthcare Group Net-A-Porter Group Newcastle University NHS Commissioning Board (Berkshire) NHS Digital NHS Doncaster CCG, DON NHS Dumfries & Galloway NHS England NHS PROPERTY SERVICES NM Rothschild North Bristol NHS Trust North East London NHS Foundation Trust Northern Powergrid Northumberland Tyne & Wear NHS Novartis OCS Odeon Cinemas Omnicom Oracle Ove Arup Oxford Radcliffe Hospitals Perkin Elmer Pinsent Masons Pitney Bowes Priory Provident Financial Prudential PwC QBE R R Donnelley Rathbones Raytheon Systems RBS Renfrewshire Council Reynolds Porter Chamberlain Ricoh RM Results Royal Bank of Canada Royal College of Music Royal Mail Group Royal United Hospital Bath NHS, RUH RSM Salford Royal NHS Foundation Trust Sandwell MBC Savills plc Science & Technology Facilities Council Scottish Police Authority Serco Sheffield Teaching Hospital Shire Pharmaceuticals Skanska Societe Generale Sodexo South Essex Partnership NHS Trust South Gloucestershire Council Southwark Council Specsavers Spire Healthcare Squire Paton Boggs St Georges University Hospital NHS Foundation Trust St James Place Stirling Council Student Loans Company Suffolk Constabulary SUFFOLK COUNTY COUNCIL Surrey & Sussex Hospital Sussex Community NHS Trust Swiss Re Services Ltd Ted Baker Tesco The British Library The Co-operative The Crown Estates The Equality & Human Rights Commission The Financial Ombudsman Services Limited The Golden Jubilee Hospital The Institution of Engineering and Techn The Restaurant Group (TRG) The Robert Jones and Agnes Hunt NHS FT Thomson Reuters Threadneedle Thrings TK Maxx TLT SOLICITORS Torbay and South Devon NHS Foundation Trust Total Oil & Gas Towergate Willis Towers Watson Trafford Council Travers Smith LLP Trinity Mirror UBS UK Border Agency United Lincolnshire Hospitals University College London University Hospital of Leicester NHS Trust University Hospital Southampton NHS Foundation Trust UNIVERSITY HOSPITALS BRISTOL [2243] University of Leeds University of Liverpool University of Manchester Veolia Virgin Care Wakefield Metropolitan District Council Walker Morris Walsall Metropolitan Borough Council West Herts NHS Trust (Current , WH6 West Midlands Police West Yorkshire Police Williams Lea Wiltshire Council Xchanging Xerox Zurich

Governance

Board of Directors

Martin Towers

Aged 65, Non-Executive Chairman

Martin was appointed Chairman in January 2018 having joined the Board as a Non-Executive Director in September 2017. Martin is Senior Independent Director of RPC Group plc, and Non-Executive Chairman of Tyman plc, and Norcros plc. Martin was Group Finance Director of Kelda Group plc from 2003 until 2008 and was previously Group Finance Director of McCarthy & Stone plc, The Spring Ram Corporation plc and Allied Textile Companies plc. Martin served as Chief Executive of Spice plc from 2009 until its sale to Cinven in 2010 and was Non-Executive Director of Homestyle Group plc from 2004 to 2006 and KCOM Group plc from 2009 to 2015.

Charles Skinner

Aged 57, Chief Executive

Charles Skinner was appointed Chief Executive of the Group on 8 June 2009. Charles was previously Chief Executive of Johnson Service Group plc and Brandon Hire plc, prior to which he was at SG Warburg, 3i plc and Editor of Management Today. Charles has 20 years' experience as Chief Executive of quoted companies, all operating in the business to business service sector.

Adam Councell

Aged 39, Group Finance Director

Adam Councell was appointed Group Finance Director on 18 June 2012. Previously, he worked at Whitbread plc before moving to Milward Brown Precis, a subsidiary of WPP plc. Subsequently joining Rentokil Initial plc, Adam was Commercial Director of the Business and Industry division, Finance Director of Catering and Hospitals division and latterly UK Business Services division.

Stephen Davidson

Aged 62, Non-Executive Director

Stephen Davidson joined the Board on 8 January 2014. He is Non-Executive Chairman of Datatec Limited, PRS for Music and Actual Experience plc. Stephen is also Non-Executive Director of Informa plc and Jaywing plc. Formerly, Stephen was Chief Financial Officer then Chief Executive officer of Telewest Communications plc and Vice Chairman of investment banking at WestLB Panmure. Stephen is also Chairperson of the Group's Audit Committee.

James Wilde

Aged 64, Non-Executive Director

James Wilde joined the Board on 1 June 2014. He has previously been Non-Executive Chairman of several support services and manufacturing businesses, including NSL Services Group, Deb Group Limited, Zenith Vehicle Contracts Group Limited, ATPI Limited and Allied Glass Group Limited. He was on the Board of the Navy Army and Air Force Institutes for six years and spent much of his executive career at Securiguard Group plc and Rentokil Initial plc, where he was Chief Executive.

Sharon Baylay

Aged 49, Non-Executive Director

Sharon Baylay joined the Board on 10 September 2014. She is a Non-Executive Director of ITE Group plc and Market Tech Holdings Ltd and Chairman of Exclaimer Ltd. She was Marketing Director and main Board Director of the BBC, responsible for Marketing Communications and Audiences, and spent much of her career at Microsoft, as Board Director of Microsoft UK and Regional General Manager of MSN International. Sharon is also Chairperson of the Group's Risk Committee.

Directors' report

Restore plc is a public limited company quoted on AIM, incorporated and domiciled primarily in the United Kingdom where the vast majority of trading in Document Management and Relocation occurs.

The Directors present their report together with the audited financial statements for the year ended 31 December 2017.

The Corporate governance statement on pages 30 and 31 also form part of this Directors' report.

Review of the Business

The Strategic report on pages 8 to 23 provide a review of the business, the Group's trading for the year ended 31 December 2017, key performance indicators and an indication of future developments.

Result and Dividend

The Group has reported its Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union. The Group's results for the year are set out in the Consolidated statement of comprehensive income on page 40.

The Directors recommend a final dividend for the year of 3.33p per share payable on 6 July 2018 (2016: 2.67p per share). An interim dividend of 1.67p was paid during the year (2016: 1.33p). The estimated final dividend to be paid is £3.7m (2016: £3.0m).

Directors

The Directors of the Group during the year were:

Executive

Charles Skinner (Chief Executive)

Adam Councell (Group Finance Director)

Independent Non-Executive

Martin Towers (Chairman – appointed 1 January 2018, appointed as Director 1 September 2017)

Sir William Wells (previously Chairman – retired 31 December 2017, retired as Director 13 March 2018)

Stephen Davidson

James Wilde

Sharon Baylay

The biographical details of the Directors are given on pages 26 and 27.

Directors' remuneration, share options, long-term executive plans, pension contributions, benefits and interests are set out in the Directors' remuneration report on pages 32 and 33. The Company maintains liability insurance for its Directors and Officers.

Share Capital and Substantial Shareholdings

Full details of the authorised and issued share capital of the Company are set out in note 22 to the financial statements.

At 20 March 2018 the Company had been notified of the following interests amounting to 3% or more of the Company's issued share capital:

	Number of 5p ordinary shares	Percentage of issued share capital
Octopus Investments	11,963,459	10.6%
Hargreave Hale	11,522,052	10.2%
BlackRock Investment Management UK	8,007,774	7.1%
Old Mutual Global Investors	6,828,434	6.0%
Slater Investments	5,814,650	5.1%
Charles Stanley & Co Limited	4,077,995	3.6%
Royal London Asset Management	3,731,309	3.3%

Property Values

The Directors are aware that a significant difference may exist between market and book values, as shown in the Consolidated statement of financial position at 31 December 2017, for the Group's freehold properties, all of which have a market value in excess of the book value recorded. The Directors believe that this excess is in the region of £10.9m.

Employee Involvement process

The Directors believe that the involvement of employees is an important part of the business culture, are its most important asset and contribute to the successes achieved to date (view our Corporate responsibility statement on pages 22 and 23).

Equal Opportunities

The Group is committed to eliminating discrimination and encouraging diversity. Its aim is that each employee is able to perform to the best of their ability. The Group will not make assumptions about a person's ability to carry out their work, for example on their ethnic origin, gender, sexual orientation, marital status, religion or beliefs, age or disability.

Disabled Employees

In the event of an employee becoming disabled, every effort is made to retain them in order that their employment with the Group may continue. It is the policy of the Group that training, career development and promotion opportunities should be available to all employees.

Environmental Policy

Maintaining and improving the quality of the environment in which we live is an important concern for the Group, our staff, customers, suppliers, sub-contractors and communities. We have adopted high standards of environmental practices and aim to minimise our impact on the environment wherever this is practical. In particular, we comply with, and endeavour to exceed the requirements of all laws and regulations relating to the environment. For further details see our Corporate responsibility statement on pages 22 and 23.

Health and Safety

The Group recognises the importance of maintaining high standards of health and safety for everyone working within our business and also for anyone who may be affected by our business. Further details on health and safety are given on page 22.

Political and Charitable Donations

Donations of £10,000 were made by the Group for charitable purposes during the year (2016: £10,000). The Group does not make political donations. Further details on our charitable initiatives are given on page 23.

Financial Risk Management

Information in respect of the financial risk management objectives and policies of the Group, is contained in note 3, and detailed in the Group Finance Director's statement.

Statement, as to Disclosure of Information to Auditors

The Directors in office on 21 March 2018 have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Directors have confirmed that they have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Post Balance Sheet Events and Future Developments

Details of post balance sheet events are given in note 34 of the financial statements. The Board intends to continue to pursue its business strategy as outlined in the Strategic report on pages 8 to 23.

Annual General Meeting

The notice of the Annual General Meeting to be held on 21 May 2018 is set out on pages 91 to 94.

Approval

This Directors' report was approved on behalf of the Board on 21 March 2018.

Sarah Waudby
Company Secretary
21 March 2018

Corporate governance statement

The policy of the Board is to manage the affairs of the Company having regard to Quoted Company Alliance. The Directors support the principles underlying these requirements insofar as is appropriate for a group of the size of Restore plc.

The Board of Directors

The Group is led and controlled by the Board comprising two Executive Directors and four Non-Executive Directors.

Board meetings are held on a regular basis and no significant decision is made other than by the Directors.

All Directors participate in the key areas of decision-making, including the appointment of new directors. There is no separate Nomination Committee. The Board receives timely information on all material aspects of the Group to enable it to discharge its duties.

All Directors submit themselves for re-election at the Annual General Meeting at regular intervals. The following meetings were attended by the Directors during the year:

	Number of Board meetings Total 11	Number of Audit Committee meetings Total 2	Number of Remuneration Committee meetings Total 1
Executive Directors			
Charles Skinner	11	2	–
Adam Councell	11	2	–
Non-Executive Directors			
Martin Towers*	5	1	1
Sir William Wells**	11	2	1
Stephen Davidson	11	2	1
James Wilde	11	2	1
Sharon Baylay	11	2	1

* appointed on 1 September 2017.
** retired on 13 March 2018.

The Executive Directors are not members of the Audit Committee or Remuneration Committee but may attend the meetings as a guest of the Chair of the committee.

Directors' Remuneration

The Company has an established Remuneration Committee.

Details of the remuneration of each Director are set out in the Remuneration report on pages 32 and 33.

Accountability and Audit

The Company has established an Audit Committee comprising the Chairman and Non-Executive Directors who are responsible for reviewing the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditor. A key responsibility of the Audit Committee during the year was overseeing the tender for the role of external auditors. The tender was completed in late 2017, and based upon the Audit Committee's recommendation, the Board is proposing that shareholders approve that PricewaterhouseCoopers LLP be appointed, effective from the 2018 Annual General Meeting.

The Audit Committee would like to thank each firm that participated in the tender and specifically to thank RSM UK Audit LLP on the Board's behalf, for their significant contribution to Restore over the years.

Relations with Shareholders

The Chief Executive and the Group Finance Director are the Company's principal contact for investors, fund managers, the press and other interested parties. The Company meets regularly with its large investors and institutional shareholders who along with analysts are invited to meetings by the Company after the announcement of the Company's results. The Company conducts bi-annual investor roadshows in the UK. At the Annual General Meeting, investors are given the opportunity to question the entire Board.

Internal Control

The Board acknowledges its responsibility for establishing and monitoring the Group's systems of internal control. Although no system of internal control can provide absolute assurance against material mis-statement or loss, the Group's systems are designed to provide the Directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

The key procedures that have been established and which are designed to provide effective control are as follows:

- Management structure – the Board meets regularly to discuss all issues affecting the Group
- Investment appraisal – the Group has a clearly defined framework for investment appraisal and approval is required by the Board where appropriate.

The Board regularly reviews the effectiveness of the systems of internal control and considers the major business risks and the control environment. No significant control deficiencies have come to light during the year and no weakness in internal financial control has resulted in any material losses, contingencies or uncertainties which would require disclosure as recommended by the Turnbull guidance for Directors on reporting on internal financial control.

The Board considers that, in light of the control environment described above, there is no current requirement for a separate internal audit function. The Board will continue to review the need to put in place an internal audit function.

Going Concern

As more fully explained in note 2, having made appropriate enquiries and having examined the major areas which could affect the Group's financial position, the Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future.

Directors' remuneration report

Remuneration Committee

The Company has an established remuneration committee consisting of the Chairman and the Non-Executive Directors. The Chairman and Non-Executive Directors are responsible for the consideration and approval of the terms of service, remuneration, bonuses, share-based incentives and other benefits of the Executive Directors. All decisions made are after giving due consideration to the size and nature of the business and the importance of retaining and motivating management. The committee meets at least once a year and at other times as appropriate.

Directors' Contracts and Letters of Appointment

The Company's policy on Executive Directors' service contracts is that, in line with the best practice provisions of the UK Corporate Governance code, they are to be terminable by the Company on twelve or six months notice.

	Date of contract	Notice period
Executive Directors		
Charles Skinner	8 June 2009	12 months
Adam Councell	1 May 2012	6 months

The Non-Executive Directors do not have service contracts but have letters of appointment.

	Date of Letter	Notice period
Non-Executive Directors		
Martin Towers*	10 August 2017	3 months
Sir William Wells**	8 June 2009	3 months
Stephen Davidson	8 January 2014	3 months
James Wilde	28 March 2014	3 months
Sharon Baylay	12 August 2014	3 months

* appointed on 1 September 2017.
** retired on 13 March 2018.

Directors' Emoluments

The aggregate emoluments of the Directors of the Company were:

£'000	Salary & Fees	Benefits	Pension Costs	Subtotal 2017	Long-term incentive vesting	Total 2017
Executive Directors						
Charles Skinner	510	2	–	512	6,676	7,188
Adam Councell	243	12	27	282	2,225	2,507
Non-Executive Directors						
Martin Towers*	15	–	–	15	–	15
Sir William Wells**	75	–	–	75	–	75
Stephen Davidson	50	–	–	50	–	50
James Wilde	45	–	–	45	–	45
Sharon Baylay	50	–	–	50	–	50
	988	14	27	1,029	8,901	9,930

* appointed on 1 September 2017.
** retired on 13 March 2018.

£'000	Salary & Fees	Benefits	Pension Costs	Subtotal 2016	Long-term incentive vesting	Total 2016
Executive Directors						
Charles Skinner	475	4	–	479	6,706	7,185
Adam Councell	227	1	25	253	888	1,141
Non-Executive Directors						
Sir William Wells	70	–	–	70	2,610	2,680
Stephen Davidson	45	–	–	45	–	45
James Wilde	40	–	–	40	–	40
Sharon Baylay	42	–	–	42	–	42
	899	5	25	929	10,204	11,133

Directors' Interests in Shares and Options

The beneficial interests of the Directors who were in office at 31 December 2017 in the shares of the Company (including family interests) were as follows:

	Number of ordinary shares of 5p each 2017	Number of ordinary shares of 5p each 2016
Charles Skinner	1,538,560	1,098,792
Adam Councell	292,213	145,623
Martin Towers	5,000	–
Sir William Wells (retired 13 March 2018)	352,553	352,553
Stephen Davidson	–	–
James Wilde	–	–
Sharon Baylay	–	–

As at 20 March 2018 there has been no change in any of the above holdings.

The Directors believe that the success of the Group will depend to a high degree on the future performance of the management team. The Company has established share-based incentive arrangements which will reward the Directors when shareholder value is created, thereby aligning the interests of the management directly with those of the shareholders.

Restore Share-based Incentives

The following options have been granted to employees within the Group during the year:

Date of Grant	Granted	Number of ordinary shares of 5p each	Exercise price	Date from which exercisable	Expiry date
11 January 2017	75,000	75,000	380.0p	11 January 2020	11 January 2027
18 February 2017	50,000	50,000	387.0p	18 February 2020	18 February 2027
26 May 2017	100,000	100,000	414.0p	26 May 2020	26 May 2027
11 September 2017	350,000	350,000	516.0p	11 September 2020	11 September 2027

The share options granted have no performance conditions. See note 28 for details of the grant.

The closing price for Restore plc shares at 31 December 2017 was 588.5p. During the year the market price of the Company's ordinary shares ranged between 350.2p and 588.5p.

On 26 November 2016 the performance conditions under the Executive Incentive Plan (EIP) were met and the performance units held by the Directors were converted into nil-cost options which were granted on 5 December 2016.

On 13 April 2017 the Directors decided to exercise the nil-cost options granted which were currently exercisable.

Of the 2,345,431 nil-cost options exercised, the Company elected to settle 75% of the value in cash, calculated according to the closing price on 12 April 2017 of 379.5p. As a result of this 1,759,073 nil-cost options granted under the EIP have been cancelled. The Executive Directors used part of the cash settlement to fund the tax liability on the exercise and hold the balance of 439,768 (Charles Skinner) and 146,590 (Adam Councell) in the new ordinary shares of 5p which admitted on 21 April 2017.

The options held at 31 December 2017 were as follows:

	Number of nil-cost options	**Date from which exercisable**	**2017 Expiry date**	Number of nil-cost options	Date from which exercisable	2016 Expiry date
Charles Skinner	–	5 December 2016	26 November 2023	1,759,073	5 December 2016	26 November 2023
Charles Skinner	879,536	26 November 2017	26 November 2023	879,536	26 November 2017	26 November 2023
Charles Skinner	879,536	26 November 2018	26 November 2023	879,536	26 November 2018	26 November 2023
Adam Councell	–	5 December 2016	26 November 2023	586,358	5 December 2016	26 November 2023
Adam Councell	293,179	26 November 2017	26 November 2023	293,179	26 November 2017	26 November 2023
Adam Councell	293,178	26 November 2018	26 November 2023	293,178	26 November 2018	26 November 2023

By order of the Board:

MTowers

Martin Towers

Chairman of the Remuneration Committee
21 March 2018

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual report, the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the Alternative Investment Market rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and have elected under company law to prepare the Company financial statements also in accordance with IFRS. The Group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the Group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- for the Group and Company financial statements, state whether they have been prepared in accordance with IFRS adopted by the EU
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report

to the Members of Restore plc

Opinion on financial statements

We have audited the financial statements of Restore plc (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2017 which comprise Consolidated statement of comprehensive income, Consolidated and Company Statement of Changes in Equity, Consolidated and Company Statement of Financial Position, Consolidated and Company Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill and intangible asset

Risk:

As at 31 December 2017 the Group carries £192.3m of goodwill and intangible assets in respect of past acquisitions. The recoverability of the goodwill arising on these acquisitions is dependent on individual businesses acquired sustaining sufficient profitability in the future. Due to the inherent uncertainty involved in forecasting future cash flows and selection of an appropriate discount rate, which are the basis of the assessment of recoverability, this is a significant risk area that our audit is focused on.

Refer to note 12 to the financial statements for the disclosures relating to the goodwill and the related impairment calculations.

Independent auditor's report continued

to the Members of Restore plc

Our response:

Our audit procedures included testing of the discounted cash flow model, challenging the judgements and assumptions used by management in the calculation and performing sensitivity analysis on the cash flow model.

We have used our knowledge of comparable companies and market data to challenge the assumptions, in particular the inputs and methodology in determining the discount rate used to calculate the present value of projected future cash flows.

We considered the historical accuracy of key assumptions by comparing the accuracy of the previous estimates of profitability to the actual amounts realised. We assessed management's sensitivity analysis of key assumptions, including the forecast profitability and the discount rate and considered whether the disclosures around the sensitivity of the outcome of the impairment assessment to changes in key assumptions were adequate and properly reflected the risks inherent in the valuation of goodwill. We also considered whether the disclosures regarding the sensitivity of the outcome of the impairment assessment to reasonably possible changes in key assumptions were adequate and properly reflected in the financial statements.

Exceptional items

Risk:

The Group discloses exceptional items separately by virtue of their size or incidence to enable a full understanding of the Group's financial performance. As set out in the Group's accounting policy, transactions which may give rise to exceptional items are principally; integration and other restructuring costs, redundancy costs, provisions made in respect of onerous leases, acquisition costs relating to business combinations, and national insurance costs on the exercise of share options.

The nature of these items is such that management judgement is applied in determining whether costs are exceptional or operational in nature, in particular, additional personnel and premises costs incurred following new acquisitions, where it can take some time for the optimal levels of staffing and sites to be achieved.

Refer to note 5 to the financial statements for an analysis of exceptional items recognised.

Our response:

Our procedures included auditing the breakdown of the Groups exceptional items. We held discussions with management to determine the reasoning behind classification of the balances as exceptional, including the assumptions and judgements behind these decisions.

We challenged management on key assumptions and judgements used, particularly in relation to post acquisition personnel and premises costs. We also compared management's reasoning for consistency with the Groups accounting policy, as per note 2 of the Groups financial statements.

We considered whether the disclosures regarding the exceptional items were adequate and properly reflected in the financial statements.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures and to evaluate the effects of misstatements, both individually and on the financial statements as a whole. During planning we determined a magnitude of uncorrected misstatements that we judge would be material for the financial statements as a whole (FSM). During planning FSM was calculated as £2,800,000, which was not changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £10,000, as well as differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

Other information

The other information comprises the information included in the Annual Report set out on pages 1 to 34, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' Report

- We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 34, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Harwood

Senior Statutory Auditor
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London, EC4A 4AB
21 March 2018

We focus on retaining our customers through a first-class service and cross-selling the services we offer, helping our customers to deliver their objectives, and use our comprehensive CRM system to identify such opportunities.

Some of our Top 500 Customers

Accenture Adidas AdminRe Admiral Insurance ADT Advent International AIG Europe Ltd Airbus AkzoNobel Alix Partners Allen & Overy Alliance Trust Allianz Allied Domecq ALLIED DUNBAR Amazon American Embassy American Express Amey Aon Arthur J Gallagher WS Atkins ATOS Origin Aviva plc AXA Babcock BAE Systems Balfour Beatty BAM Construct Bank Of Tokyo-Mitsubishi Barclays Bank PLC Barnardos Basildon & Thurrock University Hosp BBC BDO Begbies Bellrock Berwin Leighton Paisner Bidvest Biffa Birmingham City Council Bloomberg BNP Paribas Limited BNY Mellon Bolton Hospital NHS Trust Bouygues Bradford & Bingley Breast Cancer Care Brighton & Sussx University Hospital NHS Trust Brit Group British Film Institute British Transport Police Broadgate Brown Shipley BT Bunzl BUPA Burberry Burges Salmon Bywaters C Hoare Capita Cardif Pinnacle Cardiff & Vale UHB Care UK CARNIVAL Cartus Corporation CBRE Central Bedfordshire Council Central Manchester University Centrica Charles Russell Chase de Vere City Hospitals Sunderland NHS Trust City of London Police Westminster City Council Civil Aviation Authority Clifford Chance CMS Cameron McKenna LLP College of Policing Compass Computacenter Cornwall Council Countrywide Coventry & Warwickshire Partnership Trust Credit Agricole Credit Suisse Crossrail Crown Estates Cushman Wakefield Cwm Taf Health Board DAC Beachcroft Daisy David Lloyd Leisure De Monfort University Debenhams Deloitte Derbyshire Police Deutsche Bank DHL Didcot Power Station Diligenta DLA Piper Doncaster & Bassetlaw Hospitals NHS Trust DS Smith Recycling Dyson Ealing Hospital NHS Trust East & North Herts NHS Trust Egon Zehnder Emprise Engie English Heritage Essentra European Bank of Reconstruction and Development Facebook First Choice Freeth Cartwright LLP Freshfields Bruckhaus Deringer FTI Consulting G4S Gateley GE General Medical Council Geoffrey Osborne Limited George Eliot Hospital NHS Trust Gloucestershire Hospital NHS Foundation Trust Goldman Sachs Grant Thornton Greggs Hachette Hackney Council Halcrow Group Hampshire Hospitals NHS Foundation Trust Hertfordshire County Council Hill Dickinson Hiscox PLC Historic England HMRC Hogan Lovells Hewlett Packard HSS Hire Hyperion Insurance Group IBM ICAEW Imperial College London Infosys Interserve Investec Irwin Mitchell ISS JLL JLT Group Johnson Controls JP Morgan Kennedys Law KENT POLICE AUTHORITY Keoghs Solicitors KERRY FOODS Kier Kings College London Kingsley Napley Kingston University Kirklees Council KNIGHT FRANK KPMG Ladbrokes Laing O'Rourke Lancashire Teaching Hospitals NHS Foundation Trust Land Registry Legal & General Leicestershire Partnership NHS trust Liverpool Victoria Insurance Liverpool Womens NHS Trust London & Quadrant Housing Trust London Borough of Barnet London Borough Of Camden, LBC London Borough of Croydon London Borough of Ealing London Borough of Tower Hamlets London Fire and Emergency Authority London Metropolitan University London Probation Trust Lorne Stewart Luton & Dunstable Hospital Lyreco Mace Macfarlanes Manchester City Council Mapeley Estates Limited Marsh & McLennan Mayer Brown MBDA Medical Protection Society Meggitt Merck Merseyside Police Metro Bank Miller Insurance MITIE Mizuho Nabarro LLP National Conservation Service National Crime Agency National Grid National Museum of Wales Nationwide Building Society Natixis NDA Archives Ltd Nestle Nestor Healthcare Group Net-A-Porter Group Newcastle University NHS Commissioning Board (Berkshire) NHS Digital NHS Doncaster CCG, DON NHS Dumfries & Galloway NHS England NHS PROPERTY SERVICES NM Rothschild North Bristol NHS Trust North East London NHS Foundation Trust Northern Powergrid Northumberland Tyne & Wear NHS Novartis OCS Odeon Cinemas Omnicom Oracle Ove Arup Oxford Radcliffe Hospitals Perkin Elmer Pinsent Masons Pitney Bowes Priory Provident Financial Prudential PwC QBE R R Donnelley Rathbones Raytheon Systems RBS Renfrewshire Council Reynolds Porter Chamberlain Ricoh RM Results Royal Bank of Canada Royal College of Music Royal Mail Group Royal United Hospital Bath NHS, RUH RSM Salford Royal NHS Foundation Trust Sandwell MBC Savills plc Science & Technology Facilities Council Scottish Police Authority Serco Sheffield Teaching Hospital Shire Pharmaceuticals Skanska Societe Generale Sodexo South Essex Partnership NHS Trust South Gloucestershire Council Southwark Council Specsavers Spire Healthcare Squire Paton Boggs St Georges University Hospital NHS Foundation Trust St James Place Stirling Council Student Loans Company Suffolk Constabulary SUFFOLK COUNTY COUNCIL Surrey & Sussex Hospital Sussex Community NHS Trust Swiss Re Services Ltd Ted Baker Tesco The British Library The Co-operative The Crown Estates The Equality & Human Rights Commission The Financial Ombudsman Services Limited The Golden Jubilee Hospital The Institution of Engineering and Techn The Restaurant Group (TRG) The Robert Jones and Agnes Hunt NHS FT Thomson Reuters Threadneedle Thrings TK Maxx TLT SOLICITORS Torbay and South Devon NHS Foundation Trust Total Oil & Gas Towergate Willis Towers Watson Trafford Council Travers Smith LLP Trinity Mirror UBS UK Border Agency United Lincolnshire Hospitals University College London University Hospital of Leicester NHS Trust University Hospital Southampton NHS Foundation Trust UNIVERSITY HOSPITALS BRISTOL [2243] University of Leeds University of Liverpool University of Manchester Veolia Virgin Care Wakefield Metropolitan District Council Walker Morris Walsall Metropolitan Borough Council West Herts NHS Trust (Current , WH6 West Midlands Police West Yorkshire Police Williams Lea Wiltshire Council Xchanging Xerox Zurich

Financial statements

Consolidated statement of comprehensive income

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 £'m	Year ended 31 December 2016 £'m
Revenue	4	176.2	129.4
Cost of sales	6	(108.9)	(81.6)
Gross profit		67.3	47.8
Administrative expenses	6	(34.2)	(23.6)
Amortisation of intangible assets	12	(5.4)	(4.4)
Exceptional items	5	(15.5)	(10.3)
Operating profit		12.2	9.5
Finance costs	7	(2.5)	(2.0)
Profit before tax		9.7	7.5
Income tax (charge)/credit	8	(1.9)	3.1
Profit and total comprehensive income for the year from continuing operations		7.8	10.6
Profit from discontinued operations	4	–	7.7
Attributable to owners of the parent		7.8	18.3
Earnings per share attributable to owners of the parent (pence)	9		
Total – basic		6.9p	17.8p
Total – diluted		6.7p	16.9p
Continuing operations – basic		6.9p	10.3p
Continuing operations – diluted		6.7p	9.8p
Discontinued operations – basic		–	7.5p
Discontinued operations – diluted		–	7.1p

The reconciliation between the statutory results shown above and the non-GAAP adjusted measures are shown below:

	Note	Year ended 31 December 2017 £'m	Year ended 31 December 2016 £'m
Operating profit		12.2	9.5
Adjustments for:			
Amortisation of intangible assets	9	5.4	4.4
Exceptional items	9	15.5	10.3
Share-based payments charge	9	0.6	0.8
Adjustments	9	21.5	15.5
Adjusted operating profit		33.7	25.0
Depreciation of property, plant and equipment	6	6.0	4.3
Earnings before interest, taxation, depreciation, amortisation and exceptional items (EBITDA)		39.7	29.3
Profit before tax		9.7	7.5
Adjustments (as stated above)		21.5	15.5
Adjusted profit before tax		31.2	23.0

Consolidated statement of financial position

As at 31 December 2017

Company registered no. 05169780

	Note	**2017 £'m**	2016 £'m
ASSETS			
Non-current assets			
Intangible assets	12	193.9	190.3
Property, plant and equipment	13	46.1	47.6
Deferred tax asset	20	3.9	2.8
		243.9	240.7
Current assets			
Inventories	14	2.0	1.9
Trade and other receivables	15	43.4	38.4
Cash and cash equivalents	17	10.7	13.4
		56.1	53.7
Total assets		300.0	294.4
LIABILITIES			
Current liabilities			
Trade and other payables	16	(33.5)	(34.3)
Financial liabilities – borrowings	17	(9.4)	(7.3)
Other financial liabilities	18	(0.1)	(0.1)
Current tax liabilities		(0.9)	(1.5)
Provisions	21	(1.5)	(1.0)
		(45.4)	(44.2)
Non-current liabilities			
Financial liabilities – borrowings	17	(79.5)	(78.4)
Other long term liabilities	11	(0.1)	(0.2)
Other financial liabilities	18	(0.2)	(0.3)
Deferred tax liability	20	(13.3)	(13.2)
Provisions	21	(5.6)	(6.0)
		(98.7)	(98.1)
Total liabilities		(144.1)	(142.3)
Net assets		155.9	152.1
EQUITY			
Share capital	22	5.6	5.6
Share premium account	23	100.9	100.9
Other reserves	24	3.2	2.4
Retained earnings	25	46.2	43.2
Equity attributable to the owners of the parent		155.9	152.1

These financial statements were approved by the Board of Directors and authorised for issue on 21 March 2018 and were signed on its behalf by:

Charles Skinner
Chief Executive

Adam Councell
Group Finance Director

Consolidated statement of changes in equity

For the year ended 31 December 2017

	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 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 (note 25)	–	–	(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
Balance at 1 January 2017	5.6	100.9	2.4	43.2	152.1
Profit for the year	–	–	–	7.8	7.8
Total comprehensive income for the year	–	–	–	7.8	7.8
Transactions with owners					
Dividends	–	–	–	(4.9)	(4.9)
Transfers (note 25)	–	–	(0.4)	0.4	–
Share-based payments charge	–	–	0.6	–	0.6
Cash settlement of EIP options	–	–	(0.8)	–	(0.8)
Deferred tax on share-based payments	–	–	1.4	–	1.4
Minority interest (note 11)	–	–	–	(0.3)	(0.3)
	–	–	0.8	(4.8)	(4.0)
Balance at 31 December 2017	5.6	100.9	3.2	46.2	155.9

Consolidated statement of cash flows

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 £'m	Year ended 31 December 2016 £'m
Net cash generated from operations	26	15.7	18.2
Net finance costs		(2.2)	(2.0)
Income taxes paid		(2.5)	(0.4)
Net cash generated from operating activities		11.0	15.8
Cash flows from investing activities			
Purchase of property, plant and equipment and applications software		(5.3)	(5.2)
Purchase of subsidiary undertakings, net of cash acquired	11	(5.6)	(82.6)
Purchase of trade and assets	11	(1.5)	–
Proceeds from sale of available for sale assets		0.1	29.9
Cash flows used in investing activities		(12.3)	(57.9)
Cash flows from financing activities			
Net proceeds from share issues		–	34.2
Dividends paid		(4.9)	(3.7)
Repayment of bank borrowings		(7.3)	–
Repayment of revolving credit facility		(9.0)	(2.5)
New bank loans raised		20.0	20.0
Finance lease repayments		(0.1)	(0.1)
Net cash (used in)/generated from financing activities		(1.3)	47.9
Net (decrease)/increase in cash and cash equivalents		(2.6)	5.8
Cash and cash equivalents at start of year		12.9	7.1
Cash and cash equivalents at end of year	19	10.3	12.9
Cash and cash equivalents shown above comprise:			
Cash at bank		10.7	13.4
Bank overdraft		(0.4)	(0.5)
		10.3	12.9

Notes to the Group financial statements

For the year ended 31 December 2017

1. General Information

Restore plc and its subsidiaries specifically focus on Document Management and Relocation. The Group primarily operates in the UK. The Company is a public limited company incorporated and domiciled in the United Kingdom. The address of its registered office is The Databank, Unit 5 Redhill Distribution Centre, Salbrook Road, Redhill, Surrey, RH1 5DY.

The Company is listed on the AIM market.

These Group consolidated financial statements were authorised for issue by the Board of Directors on 21 March 2018.

2. Significant Accounting Policies

Basis of Preparation

The consolidated financial statements of Restore plc have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRS), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on a historical cost basis although derivatives are reflected at their fair value. The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed later in this note.

The consolidated financial statements are presented in pounds sterling and, unless stated otherwise, shown in pounds million to one decimal place.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance, financial position, its cash flows, liquidity position, principal risks and uncertainties affecting the business are set out in the Strategic report on pages 8 to 23.

The Group meets its day-to-day working capital requirements through its financing facilities which are due to expire in November 2022. Details of the Group's borrowing facilities are given in note 19 of the financial statements.

The Group's budgets for 2018 and forecasts for 2019, 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.

Basis of Consolidation

The Consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, contingent consideration and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date. Provisional fair values are adjusted against goodwill if additional information is obtained within one year of the acquisition date about facts or circumstances existing at the acquisition date. Other changes in provisional fair values are recognised through profit or loss.

Contingent Consideration

Contingent consideration is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income unless the contingent consideration is classified as equity. In such circumstances, changes are recognised within equity.

Changes in contingent consideration arising from additional information, obtained within one year of the acquisition date, about facts or circumstances that existed at the acquisition date are recognised as an adjustment to goodwill.

Segmental Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

In the opinion of the Directors, the chief operating decision maker is the Board of Restore plc and there are two segments, Document Management and Relocation, whose reports are reviewed by the Board in order to allocate resources and assess performance. Segment revenue comprises sales to external customers most of whom are located in the UK. Services are provided primarily from the UK.

Revenue Recognition

Revenue is measured as the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT, returns, rebates and after eliminating intra-group sales.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

Sale of services – Document Management

Revenue from records management represents amounts billed or due for the storage and retrieval of customers' files and boxes. Revenue is recognised on retrieval of documents or time-apportioned for the period for which the documents are stored.

The Group provides all round secure document destruction and recycling processes, including the rental and servicing of office recycling units as well as larger secure waste containers providing a confidential waste destruction process. Revenue is recognised on a time-apportioned basis in respect of rental and when destruction is complete. For the sale of paper products, revenue is currently recognised when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer.

The Group sells scanning and IT services which are provided on a time basis or as a fixed price contract with contract terms ranging up to three years, in which case revenue is recognised based upon the value of work completed, or revenue may be received on a contractual basis, either as a fixed proportion of managed costs or other fee mechanism, in which case revenue is recognised once those contractual conditions have been satisfied, either based on managed costs incurred, on a time basis, or other appropriate contractual measurement.

Sale of services – Relocation

Revenue represents amounts in respect of relocation, furniture storage, asset disposal and recycling. Revenue is recognised based upon the value of the work completed for removals, storage revenue is recognised on a per day basis for the furniture stored on behalf of its customers and when a disposal is complete.

Sale of goods

Revenue from the sale of goods is recognised when the risks and rewards of ownership have been transferred to the customer, the amount of revenue can be measured reliably and the recovery of the consideration is probable.

Interest income

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Notes to the Group financial statements continued

For the year ended 31 December 2017

2. Significant Accounting Policies continued

Exceptional Items

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. Transactions which may give rise to exceptional items are principally gains or losses on disposal of investments and subsidiaries, redundancy, integration and other restructuring costs, provisions made in respect of onerous leases, acquisition costs relating to business combinations, cash-settled EIP charges and national insurance costs on the exercise of share options.

Profit Measures

Due to the one-off nature of exceptional items and the non-cash element of certain charges, the Directors believe that an adjusted measure of operating profit, EBITDA, profit before tax and earnings per share provide shareholders with a more appropriate representation of the underlying earnings of the Group. The items adjusted for in arriving at these are amortisation of intangible assets, exceptional items (including exceptional finance costs), share-based payments charge and a standard tax charge.

Intangible Assets

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of identifiable assets and liabilities of a subsidiary, at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Other intangible assets

Other intangible assets are recognised when they are controlled through contractual or other legal rights, or are separable from the rest of the business, and their fair value can be reliably measured.

Customer relationships

Acquired customer relationships are identified as a separate intangible asset as they are separable and can be reliably measured by valuation of future cash flows. This valuation also assesses the life of the particular relationship. The life of the relationship is assessed annually and management believes that a 5–10% customer attrition rate is appropriate giving the life of customer relationships as ten to twenty years, depending upon the nature of the customer contract. All customer relationships are being written off on a straight-line basis and have a remaining life of four to twenty years. The customer lists are considered annually to ensure that this classification is still appropriate.

Trade names

Acquired trade names are identified as a separate intangible asset. Trade names are being written off on a straight-line basis over ten years. The life of the trade name is assessed annually.

Application software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Computer software development costs recognised as assets are amortised on a straight-line basis over their estimated useful lives (expected to be up to five years). Residual values and useful lives are reviewed each year.

Property, Plant and Equipment

Property, plant and equipment is stated at historical cost, less accumulated depreciation and accumulated impairment losses. Depreciation is provided on a straight-line basis on all property, plant and equipment, except freehold land.

	Basis
Freehold and long leasehold buildings	2–5% per annum
Long leasehold land	over the remaining life of the lease
Leasehold improvements	over the life of the lease
Plant and machinery	5–50% per annum
Racking	5% per annum
Office equipment, fixtures and fittings	10–40% per annum
Motor vehicles	20–25% per annum

Leased Assets

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Where property lease contracts contain guaranteed minimum incremental rental payments, the total committed cost is determined and is amortised on a straight-line basis over the life of the lease. Leases of property, plant and equipment which transfer substantially all the risks and rewards of ownership to the Group are classified as finance leases. Finance leases are classified as a financial liability and measured at amortised cost. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property, plant and equipment and the present value of the minimum lease payments and depreciated over the period of the lease. The resulting lease obligations are included in liabilities. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Investments

Loans and receivables are measured at amortised cost. Impairment losses are recognised in profit or loss when there is evidence of impairment. Available for sale investments are non-derivative assets and are initially recognised at fair value net of any transaction costs and are subsequently carried at fair value. Fair value gains and losses are recognised in other comprehensive income and are recycled to profit or loss on disposal of the investment. If a fair value for an investment cannot be reliably measured, due to the variability in the range of reasonable fair value estimates being significant, or the probabilities of the various estimates within the range not being able to be reasonably assessed, that investment will be carried at cost. An impairment test is performed annually on the carrying value of the investment. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount, when there is objective evidence for impairment including significant or prolonged decline in fair value below cost.

Investments which are held for the long term and over which management do not exercise significant control are carried at cost.

An impairment review is carried out annually.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis. Net realisable value is the price at which inventories can be sold in the normal course of business. Provision is made where necessary for obsolete, slow moving and defective inventories.

Trade and Other Receivables

Trade receivables, classified as loans and receivables in accordance with IAS 39 'Financial Instruments: Recognition and Measurement', are recorded initially at fair value and subsequently measured at amortised cost. A provision for impairment of trade receivables is established when there is evidence that the Group will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the assets' carrying amount and the present value of future cash flows discounted at the effective interest rate. The movement in the provision is recognised in profit or loss.

Any other receivables are recognised at their initial fair value less an allowance for any doubtful amounts. An allowance is made when collection of the full amount is no longer considered probable.

Notes to the Group financial statements continued

For the year ended 31 December 2017

2. Significant Accounting Policies continued

Customer Incentives

Incentives provided to new customers are in the form of either costs borne on behalf of new customers or the provision of services free of charge. Such incentives are recognised as an asset at amortised cost at the point when the contract is signed and the costs are incurred, or when the service is provided and are amortised in the income statement over the period of the contract.

Cash and Cash Equivalents

Cash and cash equivalents as defined for the Consolidated statement of cash flows comprise cash in hand, cash held at bank with immediate access, other short-term investments and bank deposits with maturities of three months or less from the date of inception.

Assets Held for Sale

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when a sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. If this condition is no longer met and the assets and disposal groups are held for continuing use they are transferred out of assets held for sale in the current year. Disposal groups are groups of assets, and liabilities directly associated with those assets, that are to be disposed of together as a group in a single transaction.

Non-current assets and disposal groups classified as held for sale are initially measured at the lower of carrying value and fair value less costs to sell. At subsequent reporting dates non-current assets (and disposal groups) are measured to the latest estimate of fair value less costs to sell. As a result of this measurement any impairment is recognised by charging to profit or loss.

Trade Payables

Trade payables, classified as other liabilities in accordance with IAS 39, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Other payables are stated at amortised cost.

Borrowings

Borrowings are classified as other liabilities in accordance with IAS 39 and are recorded at the fair value of the consideration received, net of direct transaction costs. Finance charges are accounted for in profit or loss over the term of the instrument using the effective interest rate method.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from accounting profit as reported in the Consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profits nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based upon tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited directly to other comprehensive income and equity, in which case the deferred tax is also dealt with in other comprehensive income and equity.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at an appropriate pre-tax discount rate.

Equity Instruments

Equity instruments issued by the Company are recorded at fair value net of transaction costs.

Share-Based Payments

The Group has applied the requirements of IFRS 2 Share-based Payment.

The Group issues equity settled share-based payments to certain employees. Equity settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by use of a stochastic pricing model. Where employees' contracts are terminated the options are treated as having been forfeited and accordingly previous charges are credited back to profit or loss if the option has not yet vested or retained earnings if the option has vested.

The Group has the ability to net-settle share options such that only shares equating to the gain over the option price are issued directly to the option holder. This has the benefit of reducing the number of shares that must be issued in connection with an option exercise thereby reducing shareholder dilution.

Pensions

The Group operates a number of defined contribution pension schemes. Contributions are charged to profit or loss as incurred.

Financial Instruments

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group has become party to the contractual provisions of the instrument. The Group uses derivative financial instruments when considered appropriate such as interest rate caps to hedge its risks associated with interest rates. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to profit or loss.

Critical Accounting Estimates and Judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the financial statements.

Acquisitions

The Group has made several acquisitions during the year, as shown in note 11, and in 2016, the significant acquisition of PHS DS. The assessment of the fair values of the assets and liabilities at acquisition is inherently judgemental and where these are still being assessed until further information is received, the amounts included in these financial statements are included as provisional. The key assumptions that have been made are in respect of the valuation of customer relationships, and the allocation of the consideration between cash-generating units.

Valuation of separable intangibles on acquisition

When valuing the intangibles acquired in a business combination, management estimate the expected future cash flows from the asset and select a suitable discount rate in order to calculate the present value of those cash flows. Separable intangibles valued on acquisitions made in the year were £3.7m (2016: £19.5m) as detailed further in note 11.

Notes to the Group financial statements continued

For the year ended 31 December 2017

2. Significant Accounting Policies continued

Consideration

In the 2017 acquisitions, the businesses acquired operate a single cash generation unit and therefore no allocation of consideration was required. In the acquisition of PHS DS, the consideration has been allocated to the cash-generating units based on historic earnings as the Directors believe this to be the most appropriate measure.

Dilapidations provision

On the acquisition of PHS DS, the Group acquired a further 34 sites to increase its Document Management business. The Group instructed a third party valuer to establish in the general state of repair of the properties and to prepare a projected estimate for the potential dilapidations liability acquired as a result of the acquisition. The assessment was based upon the acquired lease agreements with regard to the unexpired lease term and schedules of condition. This resulted in an adjustment of £1.0m, increasing the acquired goodwill.

Exceptional items

Included within exceptional items, and as disclosed in note 5, are amounts included in respect of restructuring and reorganisation and the related duplication of costs. The period taken to complete restructuring varies for each acquisition and management judgement is applied in determining the level of duplication of costs incurred, particularly in relation to personnel costs where it can take some time for the optimal levels of staffing to be achieved, but it is generally within 12 months of the date of acquisition.

Executive Incentive plan

The Board's current judgement is that future settlements under the EIP will be settled in shares, rather than cash as in the first tranche. This judgement will be reconsidered when the Directors exercise their options, and a decision made dependent on what the Board consider to be most appropriate for the Company at that time.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 12.

Provisions

Included within provisions is an onerous lease provision which relates to the amount by which future lease rental commitments, arising as a result of acquisitions, exceed the fair market rentals (note 21). In calculating this provision the key estimates are those relating to the fair values of the rentals on the properties concerned, the impact of future rent reviews and the discount rate applicable.

Adoption of New and Revised Standards

New standards, amendments and interpretations issued and effective during the financial year commencing 1 January 2017:

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments are aimed at reducing diversity by clarifying how to account for deferred tax assets related to debt instruments measured at fair value. The following clarifications are made.

An entity takes into account any restrictions imposed by tax law on the source or type of taxable profits against which a deductible temporary difference can be relieved when assessing whether taxable profit will be available against which the deductible temporary difference can be utilised. If a restriction exists the entity considers the recovery of a deductible temporary difference only with other such differences of the appropriate type.

Future taxable profit used for assessing the utilisation of deductible temporary differences excludes tax deductions resulting from the reversal of those deductible temporary differences; otherwise they would be double counted. This comparison shows the extent to which the future taxable profit is sufficient for the entity to deduct the amounts resulting from the reversal of the deductible temporary differences.

Future taxable profit may include the recovery of some of an entity's assets for more than their carrying value if there is sufficient evidence that it is probable that the entity will achieve this. The amendment suggests that this may be the case for an asset measured at fair value, for example, when an entity expects to hold a fixed-rate debt instrument measured at fair value and collect the contractual cash flows.

Amendments to IAS 7: Disclosure initiative*

The amendment has the objective of ensuring that disclosures help users of financial statements to evaluate changes in liabilities arising from financing activities.

To achieve the following changes in liabilities arising from financing activities are to be disclosed, changes from financing cash flows; changes arising from obtaining or losing control of subsidiaries or other businesses; the effect of changes in foreign exchange rates; changes in fair values; and other changes.

Periods commencing on or after 1 January 2018

IFRS 15 Revenue from Contracts with Customers (endorsed for use in the EU on 22 September 2016)

The core principle of the new standard is for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue.

The final standard has the following stepped approach, which is to identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, recognise revenue when the entity satisfies a performance obligation.

The Group has undertaken analysis of how the adoption of IFRS 15 will have an impact on the timing of recognition of revenue across its business, depending upon the nature and terms of their customer contracts.

The key areas which have been assessed are:

- contract modifications
- the determination of distinct goods and services
- customer options for future purchases
- the determination of a standalone selling price
- the allocation of the transaction price and any discounts to the separate performance obligations
- how the performance obligation is satisfied over time
- how contract costs should be allocated to fulfilling a contract.

The current contract terms and business practices were reconsidered, and it has been concluded that the new standard is not expected to have an impact on the timing of the recognition of revenue and that no restatement will be required. All new contracts and changes to existing contract terms are considered on an ongoing basis to ensure that the accounting is appropriate.

IFRS 9 Financial Instruments (endorsed for use in the EU on 22 November 2016)

The amendments include a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement.

Financial assets are still measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income but their classification and measurement is driven by the contractual cash flow characteristics of the financial asset and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements that are generally considered to be overly complex and difficult to apply. The new model also results in a single impairment model being applied to all financial assets, thereby removing a source of complexity associated with previous accounting requirements.

The classification and measurement of financial liabilities is largely unchanged, except for entities that designate financial liabilities as at fair value through profit and loss. They will be required to present the portion of the change in fair value attributable to the entity's own credit risk in other comprehensive income rather than profit or loss. Entities can elect to early-adopt this requirement without applying the other requirements in IFRS 9.

IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk.

Notes to the Group financial statements continued

For the year ended 31 December 2017

2. Significant Accounting Policies continued

The Group has undertaken an assessment of how the adoption of IFRS 9 will have an impact on the Group's financial instruments. The key area that was considered across the business was the bad debt provisioning because of the implementation of the expected loss model and it was concluded that there will not be an impact as a result of the changes and that no restatement is required (note 15).

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions*

The amendment seeks clarification in three main areas, vesting conditions when measuring cash-settled share-based payment transactions, classification of share-based payment transactions with net settlement features for withholding tax obligations, change of classification from cash-settled to equity-settled.

Annual Improvements to IFRSs 2014–2016 Cycle*

In December 2016, the IASB published Annual Improvements to IFRSs 2014–2016 Cycle as part of its annual improvements project. A summary of the amendments is set out below:

IFRS 1 First-time Adoption of International Financial Reporting Standards

Deletion of short-term exemptions that are no longer applicable for first-time adopters. Applies for annual periods beginning on or after 1 January 2018.

IFRS 12 Disclosure of Interests in Other Entities

Clarification that except as described in paragraph B17, the disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution. Applies retrospectively in annual periods beginning on or after 1 January 2017.

IAS 28 Investments in Associates and Joint Ventures

Clarification that a venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis.

A non-investment entity investor may also elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. Applies retrospectively for annual periods beginning on or after 1 January 2018. Early application is permitted as long as that fact is disclosed.

Periods commencing on or after 1 January 2019

IFRS 16 Leases*

The new standard, which was issued in January 2016 recognises a leased asset and a lease liability for almost all leases and requires them to be accounted for in a consistent manner. This introduces a single lessee accounting model and eliminates the previous distinction between an operating lease and a finance lease.

The expense recognised in profit and loss is consistent with the charge recognised under IAS 17 with regards to finance leases in that it will comprise a depreciation charge on the leased asset and an interest charge on the lease liability. For leases previously classified as operating leases, this will replace the expense for lease payments.

Short-term leases (less than twelve months) and leases of low-value assets (such as personal computers) are exempt from the requirement to recognise a leased asset and lease liability. Instead, lessees can recognise the lease payments as an expense over the term of the lease either on a straight-line basis or on another systematic basis more representative of the pattern of the lessee's benefit.

The lessor accounting model is largely unchanged as it retains the classification of leases as operating or finance leases and the different methods of accounting for them.

Effective Date: Periods commencing on or after 1 January 2019. Early application is permitted but only if companies also apply IFRS 15 Revenue from Contracts with Customers at the same time. Transition exemptions from full retrospective application are available.

The Group has started the analysis of how IFRS 16 should be implemented and is in the process of taking tentative accounting policy decisions. Based upon this analysis and given the number of the Group's properties we expect that the adoption of IFRS 16 will have a material impact on the financial position of the Group. The key judgements which are currently in the process of being quantified are the interest rate which is implicit in the lease, and the lease term including judgements on break clause options, extensions and renewals.

This project will continue during 2018 and the Group expects to be able to quantify the impact of these changes as part of its 2018 interim reporting.

* Not yet endorsed by the EU

Other than where specifically stated above, the Directors are still considering the impact that the adoption of these Standards and Interpretations in future periods will have but do not expect a material impact on the financial statements of the Group when the relevant standards and interpretations come into effect.

3. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and capital risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group may use derivative financial instruments to hedge certain risk exposures.

Risk management is carried out centrally under policies approved by the Board of Directors. The Group evaluates and hedges financial risks. The Board provides written principles for overall risk management.

Market risk

Foreign exchange risk

The Group operates primarily in the UK and has limited exposure to foreign exchange risk.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. During 2017 and 2016, the Group's borrowings at variable rates were denominated in pounds sterling. The Group analyses its interest rate exposure using financial modelling. Based on the various scenarios, the Group manages its cash flow interest rate risk by using interest rate swaps when considered appropriate. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates at a certain level. Interest rate swaps are an agreement with other parties at quarterly intervals, to exchange the difference between fixed and floating rate calculated by reference to the notional principal amount. The Group does not currently hold any interest rate swaps.

Credit risk

Credit risk is managed on a Group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new customers before standard payment, delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to retail customers, including outstanding receivables and committed transactions. The maximum exposure is the carrying amount as disclosed in note 15.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments as also shown in note 15.

Liquidity risk

The Group monitors its risk to a shortage of funds using a forecasting model. This model considers the maturity of both its financial assets and financial liabilities and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance in order to ensure that there is sufficient cash or working capital facilities to meet the requirements of the Group for its current business plan. A detailed analysis of the Group's debt facilities is given in note 19.

Capital risk

The Group's main objective when managing capital is to protect returns to shareholders by ensuring the Group will trade profitably in the foreseeable future. The Group also aims to maximise its capital structure of debt and equity so as to minimise its cost of capital.

The Group manages its capital with regard to the risks inherent in the business and the sector within which it operates by monitoring its gearing ratio on a regular basis. The Group considers its capital to include share capital, share premium, other reserves, retained earnings and net debt as noted below. Net debt includes short and long-term borrowings (including overdrafts) net of cash and cash equivalents.

No changes were made in the objectives, policies or processes during the years ending 31 December 2017 and 31 December 2016.

Notes to the Group financial statements continued

For the year ended 31 December 2017

3. Financial Risk Management continued

The Group's strategy is to strengthen its capital base in order to sustain the future development of the business.

Debt to Capital Ratio	2017 £'m	2016 £'m
Total debt	88.9	85.7
Less: cash and cash equivalents (note 17)	(10.7)	(13.4)
Net debt	78.2	72.3
Total equity	155.9	152.1
Debt to capital ratio	0.5	0.5

The gearing during 2017 remained at a consistent level to that in 2016. The Group does not have any externally imposed capital requirements.

Fair value estimation

The fair value of financial instruments is market value.

4. 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 Strategic report. 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 (where the Company is domiciled) as follows:

Continuing operations	Document Management £'m	Relocation £'m	Head Office £'m	2017 Total £'m
Revenue	126.9	49.3	–	176.2
Segment adjusted operating profit/(loss)	31.0	5.2	(2.5)	33.7
Amortisation of intangible assets				(5.4)
Exceptional items				(15.5)
Share-based payments charge				(0.6)
Operating profit				12.2
Finance costs				(2.5)
Profit before tax				9.7
Tax charge				(1.9)
Profit after tax				7.8
Segment assets	246.1	53.5	0.4	300.0
Segment liabilities	34.6	11.4	98.1	144.1
Capital expenditure	4.9	0.4	–	5.3
Depreciation and amortisation	10.6	0.8	–	11.4

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	4.5	(1.5)	25.0
Amortisation of intangible assets				(4.4)
Exceptional items				(10.3)
Share-based payments charge				(0.8)
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

On 10 March 2016, the Group disposed of Restore Document Management Ireland Limited for €36.0m. For 2016, revenue was £1.7m, operating profit and profit before tax £0.1m, gain on disposal £9.2m, with a tax charge of £1.6m. The operating cashflow for the period was £0.2m.

Major customers

For the year ended 31 December 2017 no customers individually accounted for more than 4% (2016: 3%) of the Group's total revenue.

5. Exceptional Items

	2017 £'m	2016 £'m
Acquisition – transaction costs	0.5	1.2
Acquisition – box relocation and transport costs	0.5	0.4
Restructuring and redundancy costs	6.7	6.2
Settlement of EIP (note 28)	7.2	–
Other exceptional	0.6	2.5
Total	15.5	10.3

As part of the Group's strategy is to grow through acquisition it is essential that acquired businesses are restructured to integrate them fully into the Group's operations and deliver anticipated returns. In order to give a suitable representation of underlying earnings it is appropriate to show these costs as exceptional along with any other items which are exceptional in nature. In the year the Group has continued to integrate and restructure the PHS Data Solutions business in addition to the seven smaller acquisitions made during the year.

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 a result of acquisitions. In the year the Group completed the closure of the Cintas Charlton site on schedule.

Notes to the Group financial statements continued

For the year ended 31 December 2017

5. Exceptional Items continued

Restructuring and redundancy costs were £6.7m in 2017. As noted above these primarily relate to the PHS DS acquisition 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.

An amount of £7.2m related to the cash settlement of a proportion of share options issued under the 2013 Executive Incentive Plan. As a result of this, 1,759,073 nil-cost options granted under the EIP were cancelled, thereby reducing the amount of ongoing share dilution. The Executive Directors used part of the cash settlement to fund the tax liability on the remainder of the options exercised.

6. Operating Profit

	2017 £'m	2016 £'m
The following items have been included in arriving at operating profit:		
Amortisation of intangible assets	5.4	4.4
Depreciation of property, plant and equipment	6.0	4.3
Loss on disposal of property, plant and equipment	–	0.8
Share-based payments charge	0.6	0.8
Operating leases – plant and machinery	4.4	2.5
Operating leases – land and buildings	13.3	11.2
Auditors' remuneration:		
– Parent and consolidated financial statements	0.1	0.1
– Audit of Company's subsidiaries pursuant to legislation	0.1	0.1
– Tax compliance	–	0.1
Expenses by function:		
Staff costs (note 29)	57.9	41.4
Depreciation	6.0	4.3
Premises costs	23.1	18.3
Materials costs	11.6	6.7
Subcontractor costs	18.4	14.9
Selling and distribution expenses	1.0	2.3
Transport costs	10.2	4.1
Computer costs	2.6	2.1
Audit and tax costs	0.2	0.3
Legal and professional costs	0.5	0.4
Telecommunication costs	1.2	0.8
Exceptional items	15.5	10.3
Other expenses	10.4	9.6
Total cost of sales and administrative expenses	158.6	115.5
Amortisation of intangible assets	5.4	4.4
Total operating costs	164.0	119.9

7. Finance Costs

	2017 £'m	2016 £'m
Interest on bank loans and overdrafts	2.3	1.8
Amortisation of deferred finance costs	0.2	0.2
Total	2.5	2.0

8. Taxation

	2017 £'m	2016 £'m
Current tax:		
UK corporation tax on profit for the year	1.9	0.3
Adjustment in respect of previous periods	–	(0.6)
Total current tax	1.9	(0.3)
Deferred tax: (note 20)		
Current year	(0.9)	(1.9)
Adjustment in respect of previous periods	0.9	(0.9)
Total deferred tax	–	(2.8)
Total tax charge/(credit)	1.9	(3.1)

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

	2017 £'m	2016 £'m
Profit before tax	9.7	7.5
Profit before tax multiplied by the rate of corporation tax of 19.25% (2016: 20.0%)	1.9	1.5
Effects of:		
Expenses not deductible for tax purposes	0.3	0.8
Fixed asset differences	(0.6)	–
Tax losses not previously recognised	–	(0.8)
Share-based payments deduction	(0.8)	(2.6)
Effect of change in rate used for deferred tax	0.2	(0.5)
Adjustment in respect of corporation tax for previous periods	–	(0.6)
Adjustment in respect of deferred tax for previous periods	0.9	(0.9)
Tax charge/(credit)	1.9	(3.1)

Notes to the Group financial statements continued

For the year ended 31 December 2017

9. 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.

	2017	2016
Weighted average number of shares in issue	112,607,015	102,712,773
Total profit for the year	£7.8m	£18.3m
Total basic earnings per ordinary share	6.9p	17.8p
Weighted average number of shares in issue	112,607,015	102,712,773
Share options	3,448,077	5,454,143
Weighted average fully diluted number of shares in issue	116,055,092	108,166,916
Total fully diluted earnings per share	6.7p	16.9p
Continuing profit for the year	£7.8m	£10.6m
Continuing basic earnings per share	6.9p	10.3p
Continuing fully diluted earnings per share	6.7p	9.8p
Discontinued profit for the year	–	£7.7m
Discontinued basic earnings per share	–	7.5p
Discontinued fully diluted earnings per share	–	7.1p

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:

	2017 £'m	2016 £'m
Continuing profit before tax	9.7	7.5
Adjustments:		
Amortisation of intangible assets	5.4	4.4
Exceptional items	15.5	10.3
Share-based payments charge	0.6	0.8
Adjusted continuing profit for the year	31.2	23.0

The adjusted earnings per share, based on the weighted average number of shares in issue during the year, 112.6m (2016: 102.7m) is calculated below:

	2017	2016
Adjusted profit before tax (£'m)	31.2	23.0
Tax at 19.25%/20.0% (£'m)	(6.0)	(4.6)
Adjusted profit after tax (£'m)	25.2	18.4
Adjusted basic earnings per share	22.4p	17.9p
Adjusted fully diluted earnings per share	21.7p	17.0p

10. Dividends

In respect of the current year, the Directors propose a final dividend of 3.33p per share (2016: 2.67p) will be paid to ordinary shareholders on 6 July 2018. 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 1.67p per share (2016: 1.33p) was paid during the year.

The proposed final dividend for 2017 is payable to all shareholders on the Register of Members on 8 June 2018. The final estimated dividend to be paid is £3.7m (2016: £3.0m).

11. Business Combinations

On 9 January 2017, the Group completed the acquisition of the trade and assets of Reisswolf Wales, a secure shredding business based in Welshpool for cash consideration of £0.8m. The customer relationships acquired were £0.8m.

On 23 January 2017, the Company completed the acquisition of Bedfordshire based ID Secured Limited, trading as Reisswolf London for cash consideration £0.4m. Cash of £0.2m was acquired as part of the net assets and the customer relationships acquired were £0.1m and goodwill £0.1m.

Deferred tax at 17% has been provided on the value of intangible assets. Acquisition costs of £17k were incurred and have been charged to profit or loss.

On 20 February 2017, the Company acquired The ITAD Works Limited, a Surrey based IT recycling company, for cash consideration of £1.9m. Cash of £0.6m was acquired as part of the net assets and the customer relationships acquired were £0.4m and goodwill £0.8m.

Deferred tax at 17% has been provided on the value of intangible assets. Acquisition costs of £37k were incurred and have been charged to profit or loss.

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

On 11 July 2017, the Group acquired the shredding activities of Banner group for cash consideration of £0.3m. The customer relationships acquired were £0.3m.

On 31 July 2017, the Company acquired the trade and assets of Solutions for Archiving, a Dorset based Records Management business for cash consideration of £0.4m. The customer relationships acquired were £0.4m.

On 14 August 2017, the Company acquired Baxter Confidential Limited, a shredding business for cash consideration of £1.4m. Cash of £0.1m was acquired as part of the net assets and the provisional customer relationships acquired were £0.6m and goodwill £1.0m.

On 8 September 2017, the Company acquired Lombard Recycling Limited and Datashred Limited (together Lombard) for cash consideration of £2.4m. The provisional customer relationships acquired were £1.1m and goodwill £1.3m.

The goodwill acquired represents the value attributable to new business and the assembled and trained workforce.

Notes to the Group financial statements continued

For the year ended 31 December 2017

11. Business Combinations continued

As the Group is still in the process of establishing the fair value of the assets and liabilities acquired in the Baxter Confidential and Lombard acquisitions the fair values presented below are provisional.

	ID Secured £'m	The ITAD Works £'m	Baxter Confidential £'m	Lombard £'m
Intangibles assets – customer relationships	0.1	0.4	0.6	1.1
Property, plant and equipment	0.1	0.1	–	0.1
Inventories	–	0.1	–	0.1
Trade receivables	0.4	0.5	0.2	0.1
Cash and cash equivalents	0.2	0.6	0.1	–
Trade and other payables	(0.5)	(0.5)	(0.4)	(0.1)
Deferred tax liabilities	–	(0.1)	(0.1)	(0.2)
Net assets acquired	0.3	1.1	0.4	1.1
Goodwill	0.1	0.8	1.0	1.3
Consideration	0.4	1.9	1.4	2.4
Satisfied by:				
Cash to vendors	0.4	1.9	1.4	2.4

In 2016, the fair value of assets acquired as part of the PHS acquisition were shown as provisional in order that management have further opportunity to revisit some of the key adjustments made in assessing the assets acquired. During the year a re-assessment of these was undertaken resulting in an adjustment of £1.1m, primarily in respect of an increase in a dilapidations provision for 34 acquired sites, increasing the goodwill on acquisition (note 21).

Other financial liabilities include £0.2m (2016: £0.4m) in respect of the contingent consideration for Crimson UK Limited, of which £0.2m is due after more than one year (2016: £0.3m).

Post acquisition results

The table below gives the revenue and profit for the acquisitions completed in the year and included in the consolidated results.

	£'m
Revenue	8.3
Profit before tax since acquisition included in the Consolidated statement of comprehensive income	0.4

If the acquisitions had been completed on the first day of the financial year, Group revenue would have been £178.5m and Group continuing profit before tax would have been £9.9m. As explained in note 5, following the acquisitions a number of restructuring costs are incurred, and after this post acquisition restructuring the acquisitions have a positive impact on Group profit before tax.

The acquisitions made during the year were to further extend national coverage, increase customers and sites and increase the Group's market share in its shredding, storage and lifecycle services.

12. Intangible Assets

	Goodwill £'m	Customer relationships £'m	Trade names £'m	Applications software £'m	Total £'m
Cost					
1 January 2016	75.3	57.3	2.0	2.7	137.3
Additions – external	–	–	–	0.5	0.5
Disposals	–	–	–	(0.1)	(0.1)
Arising on acquisition of subsidiaries	56.2	17.2	2.3	–	75.7
31 December 2016	131.5	74.5	4.3	3.1	213.4
1 January 2017	131.5	74.5	4.3	3.1	213.4
Additions – external	–	–	–	1.0	1.0
Disposals	–	–	–	(0.3)	(0.3)
Arising on acquisition of subsidiaries	4.3	3.7	–	–	8.0
31 December 2017	135.8	78.2	4.3	3.8	222.1
Accumulated amortisation and impairment					
1 January 2016	10.6	5.7	1.1	1.3	18.7
Charge for the year	–	3.6	0.2	0.6	4.4
31 December 2016	10.6	9.3	1.3	1.9	23.1
1 January 2017	10.6	9.3	1.3	1.9	23.1
Charge for the year	–	4.5	0.3	0.6	5.4
Disposals	–	–	–	(0.3)	(0.3)
31 December 2017	10.6	13.8	1.6	2.2	28.2
Carrying amount					
31 December 2017	125.2	64.4	2.7	1.6	193.9
31 December 2016	120.9	65.2	3.0	1.2	190.3
1 January 2016	64.7	51.6	0.9	1.4	118.6

The customer relationships have a remaining life of 4–20 years. Amortisation is charged to profit or loss as an administrative expense.

Notes to the Group financial statements continued

For the year ended 31 December 2017

12. Intangible Assets continued

The changes to goodwill during the year were as follows:

	£'m
Cost	
1 January 2016	75.3
Adjusted – Diamond	(0.4)
Acquired – PHS DS	57.0
Adjusted – ITP	(0.4)
31 December 2016	131.5
Acquired – ID Secured	0.1
Acquired – The ITAD Works	0.8
Acquired – Baxter Confidential	1.0
Acquired – Lombard	1.3
Adjusted – PHS DS	1.1
31 December 2017	135.8
Accumulated impairment	
1 January 2016 and 31 December 2016	10.6
31 December 2017	10.6
Carrying amount at 31 December 2017	125.2
Carrying amount at 31 December 2016	120.9
Carrying amount 1 January 2016	64.7

Allocation to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following cash-generating units. The carrying value is as follows:

	2017 £'m	2016 £'m
Document Management	117.7	114.2
Relocation	7.5	6.7
	125.2	120.9

Annual test for impairment

For the purpose of impairment testing, goodwill and other intangibles are allocated to business segments which represent the lowest level at which that those assets are monitored for internal management purposes. The recoverable amount of each cash-generating unit is determined from value-in-use calculations. The calculations use pre-tax cash flow projections based on financial budgets approved by the Directors for year one and cash flow projections for years two and three using growth rates that are considered to be in line with the general trends in which each cash-generating unit operates. Terminal cash flows are based on these 3 year projections, assumed to grow perpetually at 1%. In accordance with IAS 36, the growth rates for beyond the forecasted three years do not exceed the long-term average growth rate for the industry. The key assumptions forming inputs to the cash flows are in revenues and margins. Revenues for 2018 have been assessed by reference to existing contracts and market volumes. Margins have been assumed to be consistent with those currently achieved in the Document Management and Relocation divisions. The forecasts have been discounted at a pre-tax rate of 13.3% (2016: 12.9%). This discount rate was calculated using a pre-tax rate based on the weighted average cost of capital for the Group. This has changed during the year as a result of changes in both the cost of equity and cost of debt for the Group. The key assumptions used for the value in use calculations are as follows:

	Document Management %	**Relocation %**
Revenue growth – average over 3 years	4	2
Revenue growth – remainder	1	1
Cost growth – employee/overheads, average over 3 years	4	1

Sensitivity

The Group has not identified any reasonable potential changes to key assumptions that would cause the carrying value of the remaining goodwill or intangibles to exceed its recoverable amount.

The key sensitivity concerns ITP, our printer cartridge recycling business which operates under the Restore Technology banner. The recoverable amount calculated as value in use exceeded the carrying value by £0.1m, based on a small profit being achieved in 2018 and a return to pre-acquisition profitability levels in 2019 and 2020, following a renewed focus across sales and operations in 2017. A 10% worsening of the future profits would cause the value in use to fall below the carrying value of £1.3m and suggest a potential impairment to goodwill of £0.5m.

13. Property, Plant and Equipment

	Freehold and long leasehold land & buildings £'m	Leasehold improvements £'m	Racking plant & machinery £'m	Office equipment fixtures & fittings £'m	Motor vehicles £'m	Total £'m
Cost						
1 January 2016	11.9	6.8	16.2	8.2	0.8	43.9
Exchange differences	–	–	–	0.1	–	0.1
Additions	0.5	1.1	1.9	1.0	0.1	4.6
Disposals	–	(0.2)	(0.6)	(0.3)	(0.3)	(1.4)
Acquisitions	–	1.3	6.0	0.4	2.8	10.5
Reclassification*	–	–	6.0	(6.0)	–	–
31 December 2016	12.4	9.0	29.5	3.4	3.4	57.7
1 January 2017	12.4	9.0	29.5	3.4	3.4	57.7
Additions	0.4	0.9	2.2	0.7	0.1	4.3
Disposals	–	–	–	(0.3)	(0.2)	(0.5)
Acquisitions	–	–	0.2	–	0.1	0.3
31 December 2017	12.8	9.9	31.9	3.8	3.4	61.8
Accumulated depreciation						
1 January 2016	0.9	0.7	4.2	0.5	0.2	6.5
Charge for the year	0.1	0.7	2.3	0.7	0.5	4.3
Disposals	–	(0.1)	(0.3)	(0.1)	(0.2)	(0.7)
31 December 2016	1.0	1.3	6.2	1.1	0.5	10.1
1 January 2017	1.0	1.3	6.2	1.1	0.5	10.1
Charge for the year	0.2	1.0	3.3	0.8	0.7	6.0
Disposals	–	–	–	(0.3)	(0.1)	(0.4)
31 December 2017	1.2	2.3	9.5	1.6	1.1	15.7
Net book value						
31 December 2017	11.6	7.6	22.4	2.2	2.3	46.1
31 December 2016	11.4	7.7	23.3	2.3	2.9	47.6
1 January 2016	11.0	6.1	12.0	7.7	0.6	37.4

* In 2016 an amount of £6.0m previously recognised on 2015 acquisitions as office equipment fixtures & fitting was reclassified to racking plant & machinery on the hive-up of these assets.

Capital expenditure contracted for but not provided in the financial statements is shown in note 31.

Depreciation is charged to profit or loss as an administrative expense. Assets with a net book value of £0.1m (2016: £0.4m) were held under finance leases.

Notes to the Group financial statements continued

For the year ended 31 December 2017

14. Inventories

	2017 £'m	2016 £'m
Finished goods and goods for resale	2.0	1.9

£8.1m (2016: £4.4m) of inventories were recognised as an expense in cost of sales in the year.

15. Trade and Other Receivables

	2017 £'m	2016 £'m
Trade receivables	29.2	26.8
Less: provision for impairment of trade receivables	(0.7)	(0.4)
Trade receivables – net	28.5	26.4
Other receivables	1.6	2.4
Prepayments and accrued income	13.3	9.6
	43.4	38.4

The average credit period is 50 days (2016: 51 days). No interest is charged on the trade receivables for the first 30 days from the date of the invoice. Thereafter, interest may be charged at 2% per annum on the outstanding balance. Trade receivables are provided for based on estimated irrecoverable amounts, determined by reference to past payment history and the current financial status of the customers.

Movement in the allowance for impairment	2017 £'m	2016 £'m
1 January	0.4	0.1
Increase in amount recognised in profit or loss	0.3	0.3
31 December	0.7	0.4

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. See note 19 for an analysis of trade receivables that were past due but not impaired.

16. Trade and Other Payables

	2017 £'m	2016 £'m
Trade payables	10.7	11.4
Other taxation and social security	5.6	5.4
Other payables	0.9	0.6
Accruals and deferred income	16.3	16.9
	33.5	34.3

The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame. Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period for trade purchases is 67 days (2016: 65 days).

17. Financial Liabilities – Borrowings

	2017 £'m	2016 £'m
Current		
Bank loans and overdrafts	0.4	0.5
Bank loans – secured	9.3	7.0
Deferred financing costs	(0.3)	(0.2)
	9.4	7.3
Non-current		
Bank loans – secured	80.4	79.0
Deferred financing costs	(0.9)	(0.6)
	79.5	78.4

The bank debt is due to The Royal Bank of Scotland plc and Barclays Bank plc and is secured by a fixed and floating charge over the assets of the Group. The interest rate profile and an analysis of borrowings is given in note 19. Under the bank facility the Group is required to meet quarterly covenant tests in respect of cashflow cover, interest cover and leverage. All tests were met during the year and the Directors expect to continue to meet these tests.

Analysis of net debt

	2017 £'m	2016 £'m
Cash at bank and in hand	10.7	13.4
Bank loans due within one year	(9.4)	(7.3)
Bank loans due after one year	(79.5)	(78.4)
	(78.2)	(72.3)

18. Other Financial Liabilities

	2017 £'m	2016 £'m
Obligations under finance leases – present value of finance lease liabilities	0.3	0.4
Repayable by instalments:		
In less than one year	0.1	0.1
In two to five years	0.2	0.2
Over five years	–	0.1
	0.3	0.4

Notes to the Group financial statements continued

For the year ended 31 December 2017

19. Financial Instruments

The Group's financial instruments comprise cash, bank and various other receivable and payable balances that arise from its operations. The main purpose of these financial instruments is to finance the Group's operations.

	2017 £'m	2016 £'m
Cash and cash equivalents	10.3	12.9

As at 31 December 2017, trade receivables of £3.6m (2016: £5.4m) were past due but not impaired. These relate to a number of independent customers with no recent history of default. The ageing analysis of these trade receivables is as follows:

	2017 £'m	2016 £'m
60–90 days	1.3	4.8
Greater than 90 days	2.3	0.6

The main financial risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The Directors review and agree policies for managing each of these risks. Interest rates are regularly reviewed to ensure competitive rates are paid. Detailed cash flow forecasts are produced on a regular basis to minimise liquidity risks.

Carrying value of financial assets and (liabilities) excluding cash and borrowings

	2017 £'m	2016 £'m
Loans and receivables	30.2	27.3
Financial liabilities measured at amortised cost	(32.5)	(29.2)

Currency and interest rate risk profile of financial liabilities

All bank borrowings were subject to floating interest rates, at LIBOR plus a margin of between 1.85% and 2.10%, depending on the leverage covenant.

The interest rate risk profile of the Group's gross borrowings for the year was:

Currency	Total £'m	Floating rate financial liabilities £'m	Weighted average interest rates %
Sterling at 31 December 2017	88.9	88.9	2.3
Sterling at 31 December 2016	85.7	85.7	2.5

The exposure of Group borrowings to interest rate changes and contractual pricing dates at the end of the year are as follows:

	2017 £'m	2016 £'m
6 months or less	88.9	85.7

Interest rate sensitivity

At 31 December 2017, if interest rates had been 50 basis points higher and all other variables were held constant, it is estimated that the Group's profit before tax would be approximately £0.5m (2016: £0.4m) lower. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings and is based on the change taking place at the beginning of the financial year and held constant throughout the year.

The Group's sensitivity to future interest rates changes has increased during the current year due to the increased debt.

Financial assets recognised in the statement of financial position and interest rate profile

All financial assets are short-term receivables and cash at bank. The cash at bank earns interest based on the variable bank base rate and is held with Barclays Bank plc.

Maturity of financial liabilities

The maturity profile of the carrying amount of the Group's financial liabilities (including interest payments) other than short-term trade payables and accruals which are due within one year was as follows:

	Bank debt £'m	**Other financial liabilities* £'m**	**2017 Total £'m**	Bank debt £'m	Other financial liabilities* £'m	2016 Total £'m
Within one year, or on demand	9.4	0.1	9.5	7.3	0.2	7.5
Between one and two years	7.0	0.2	7.2	7.0	0.3	7.3
Between two and five years	72.5	0.1	72.6	71.4	0.2	71.6
More than five years	–	–	–	–	0.1	0.1
	88.9	0.4	89.3	85.7	0.8	86.5

* Other financial liabilities include interest accruals, amounts owing under finance leases and contingent and deferred consideration.

Borrowing facilities

The Company has a finance facility with The Royal Bank of Scotland plc and Barclays Bank plc which expires on 4 November 2022. This new facility in 2017 comprised a term loan of £84.5m and a revolving credit facility (RCF) of £30.0m, which is partly reduced by an on demand net overdraft facility of £1.5m (2016: term loan £67.5m, RCF £30.0m and overdraft £1.5m). An offset facility is in place and on a gross basis; £11.8m of the overdraft facility was unutilised at 31 December 2017 (2016: £13.9m). Details of security are given in note 17. Committed but undrawn borrowing facilities as at 31 December 2017 amounted to £33.3m (2016: £12.0m).

All of the Company's borrowings are in sterling.

Fair values of financial assets and financial liabilities

The Group's financial assets and liabilities bear floating interest rates and are relatively short-term in nature. In the opinion of the Directors the book values of the assets and liabilities equate to their fair value.

Interest rate management

The Group does not currently hold any interest rate swaps to mitigate the risk of changing interest rates on the issued variable rate debt held due to the current interest rates incurred and forecasted market rates. This policy is reviewed on a regular basis by the Board.

20. Deferred Tax

Summary of balances

	2017 £'m	2016 £'m
Deferred tax liabilities	(13.3)	(13.2)
Deferred tax asset	3.9	2.8
Net position at 31 December	(9.4)	(10.4)

Notes to the Group financial statements continued

For the year ended 31 December 2017

20. Deferred Tax continued

The movement in the year in the Group's net deferred tax position is as follows:

	2017 £'m	2016 £'m
1 January	(10.4)	(7.7)
Credit to profit for the year	–	2.8
Tax credited/(charged) directly to equity	1.4	(2.2)
Acquisitions	(0.4)	(3.3)
31 December	(9.4)	(10.4)

The following are the major deferred tax liabilities and assets recognised by the Group and the movements thereon during the year:

Deferred tax liabilities

	Accelerated capital allowances £'m	**Intangible assets £'m**	**Properties £'m**	**Total £'m**
1 January 2016	(1.3)	(9.7)	(1.0)	(12.0)
Credit to income for the year	0.6	1.4	0.1	2.1
Acquisitions	–	(3.3)	–	(3.3)
31 December 2016	(0.7)	(11.6)	(0.9)	(13.2)
(Charge)/credit to income for the year	(0.3)	0.6	–	0.3
Acquisitions	–	(0.4)	–	(0.4)
31 December 2017	(1.0)	(11.4)	(0.9)	(13.3)

Deferred tax assets

	Share-based payments £'m	**Losses £'m**	**Depreciation in excess of capital allowances £'m**	**Provisions £'m**	**Total £'m**
1 January 2016	2.6	–	0.3	1.4	4.3
Credit/(charge) to income for the year	0.1	0.7	0.1	(0.2)	0.7
Transactions with owners	(2.2)	–	–	–	(2.2)
31 December 2016	0.5	0.7	0.4	1.2	2.8
Credit/(charge) to income for the year	0.2	(0.2)	(0.4)	0.1	(0.3)
Transactions with owners	1.4	–	–	–	1.4
31 December 2017	2.1	0.5	–	1.3	3.9

A deferred tax asset has been recognised on the expected future tax deductions on the exercise of share options. An amount of £1.4m (2016: £2.2m charged) has been credited to equity.

A deferred tax asset of £0.5m (2016: £0.7m) has been recognised on brought forward tax losses due to greater certainty over recoverability of the asset.

21. Provisions

	Onerous lease provision £'m	Dilapidation provision £'m	Total £'m
1 January 2016	7.6	0.1	7.7
Used during the year	(1.0)	–	(1.0)
Arising during the year	0.3	–	0.3
31 December 2016	6.9	0.1	7.0
Used during the year	(1.0)	–	(1.0)
Arising on the acquisition of PHS (note 11)	–	1.0	1.0
Arising during the year	0.4	–	0.4
Released during the year	(0.3)	–	(0.3)
31 December 2017	6.0	1.1	7.1

The onerous lease provision relates to future payments at above market rents on onerous leases on a number of sites expiring before March 2030. £1.5m of costs are expected to be incurred within one year and the balance over the next seven years. This provision has been discounted at 6%, being the market commercial property yield rates (2016: 6%).

The dilapidation provision relates to the estimated liability in respect of 34 sites acquired as part of the PHS acquisition.

Provisions are analysed as follows:

	2017 £'m	2016 £'m
Current	1.5	1.0
Non-current	5.6	6.0
Total	7.1	7.0

22. Called Up Share Capital

	2017 £'m	2016 £'m
Authorised:		
199,000,000 ordinary shares of 5p each	10.0	10.0
Allotted, issued and fully paid:		
112,962,586 (2016: 112,067,479) ordinary shares of 5p each	5.6	5.6

The issued ordinary share capital is as follows:

Date	**Number of ordinary shares**	**Issue price**
1 January 2016	95,954,760	
11 May 2016 – exercise of share options	3,916,015	5.0p
9 June 2016 – exercise of share options	38,051	5.0p
26 August 2016 – equity raised to acquire PHS Data Solutions	12,143,632	290.0p
13 December 2016 – exercise of share options	15,021	5.0p
31 December 2016	112,067,479	
23 January 2017 – exercise of share options	60,187	5.0p
20 April 2017 – exercise of share options	15,591	5.0p
21 April 2017 – exercise of share options	586,358	5.0p
28 April 2017 – exercise of share options	16,268	5.0p
9 June 2017 – exercise of share options	32,717	5.0p
18 September 2017 – exercise of share options	35,776	5.0p
25 September 2017 – exercise of share options	75,366	5.0p
13 November 2017 – exercise of share options	36,410	5.0p
15 December 2017 – exercise of share options	36,434	5.0p
31 December 2017	112,962,586	

The 895,107 (2016: 3,969,087) ordinary shares shown as issued above as a result of the exercise of share options were net-settled at market price on the day of exercise (note 28).

Notes to the Group financial statements continued

For the year ended 31 December 2017

23. Share Premium Account

	2017 £'m	2016 £'m
1 January	100.9	67.5
Premium on shares issued during the year	–	34.6
Share issue costs	–	(1.2)
31 December	100.9	100.9

The Company may use the reserve to reduce a deficit in the retained earnings of the Company from time to time subject to shareholders and court approval and the Company may release the reserve upon transferring to a blocked trust bank account a sum equal to the remaining amount outstanding to non-consenting creditors that existed at the date of the capital reduction.

24. Other Reserves

Share-based payments reserve	2017 £'m	2016 £'m
1 January	2.4	4.7
Charge for the year	0.6	0.8
Cash settlement of EIP options	(0.8)	–
Deferred tax on share-based payments charge	1.4	(2.2)
Transfers*	(0.4)	(0.9)
31 December	3.2	2.4

* A net amount of £0.4m has been reclassified from share-based payments reserve to retained earnings in respect of lapsed and exercised options (2016: £0.9m).

The share-based payments reserve comprises charges made to the income statement in respect of share-based payments under the Group's equity compensation schemes.

25. Retained Earnings

	2017 £'m	2016 £'m
1 January	43.2	27.7
Profit for the year	7.8	18.3
Dividends	(4.9)	(3.7)
Transfers*	0.4	0.9
Minority interest (note 11)	(0.3)	–
31 December	46.2	43.2

* A net amount of £0.4m has been reclassified from share-based payments reserve to retained earnings in respect of lapsed and exercised options (2016: £0.9m).

Retained earnings are the balance of income retained by the Group. Retained earnings may be distributed to shareholders by a dividend payment.

26. Cash Inflow From Operations

	2017 £'m	2016 £'m
Continuing operations		
Profit before tax	9.7	7.5
Depreciation of property, plant and equipment	6.0	4.3
Amortisation of intangible assets	5.4	4.4
Net finance costs	2.5	2.0
Share-based payments charge	0.6	0.8
Share-based payments charge on cash-settled EIP options	7.2	–
Cash settlement of EIP options	(7.9)	–
Gain on disposal of property, plant and equipment	–	0.8
Decrease in inventories	0.3	0.2
Increase in trade and other receivables	(4.0)	(5.1)
(Decrease)/increase in trade and other payables	(4.1)	3.1
Net cash generated from continuing operations	15.7	18.0
Discontinued operations		
Profit before tax	–	7.7
Depreciation of property, plant and equipment	–	0.1
Profit on disposal of available for sale assets	–	(7.6)
Net cash generated from discontinued operations	–	0.2
Net cash generated from operations	15.7	18.2

27. Pensions

The Group operates a number of defined contribution schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. The total cost charged to profit or loss of £1.1m (2016: £0.9m) represents contributions payable to these schemes by the Group at rates specified in the rules of the plan.

Notes to the Group financial statements continued

For the year ended 31 December 2017

28. Share-Based Payments

Share option scheme

The Restore share option scheme was introduced in May 2005. Under the scheme the Remuneration Committee can grant options over shares in the Company to Directors and employees of the Group. Options are granted at a fixed price equal to the market price of the shares under option at the date of grant. The contractual life of the option is 10 years. Awards under the scheme are generally reserved for employees at senior management level and above.

Between 2010 and 2017 the Company made grants of options to Senior Management and Directors, on which there are no performance conditions and which are exercisable within 0–10 years.

Options were valued using a stochastic model. The fair value per option and the assumptions used in the calculation for the options issued in 2016 and 2017 are as follows:

Grant date	11 September 2017	26 May 2017	18 February 2017	11 January 2017	10 October 2016	8 September 2016	16 June 2016
Share price at grant date	516.0p	414.0p	387.0p	380.0p	337.0p	347.0p	311.0p
Exercise price	516.0p	414.0p	387.0p	380.0p	337.0p	347.0p	311.0p
Number of employees	3	2	1	1	2	1	1
Share options granted	350,000	100,000	50,000	75,000	150,000	300,000	250,000
Vesting period (years)	3	3	3	3	3	3	3
Expected volatility	30%	30%	30%	30%	30%	30%	30%
Option life (years)	10	10	10	10	10	10	10
Expected life (years)	6	6	6	6	6	6	6
Risk free rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Expected dividends expressed as a dividend yield	1.3%	1.3%	1.3%	1.3%	0%	0%	0%
Fair value per option	123.9p	99.4p	95.2p	91.3p	94.3p	97.1p	87.1p

The total fair value of options issued in the year was £1.2m (2016: £0.7m). The volatility is measured by calculating the standard deviation of the natural logarithm of share price movements.

A reconciliation of share option movements over the two years to 31 December 2017 is:

Grant date	2017 Number	2017 Weighted average exercise price	2016 Number	2016 Weighted average exercise price
Outstanding at 1 January	6,731,860	63.8p	6,316,588	79.0p
Granted	575,000	469.1p	700,000	344.4p
Exercised	(425,000)	124.4p	(4,975,588)	62.4p
Converted from EIP	–	–	4,690,860	0p
Exercised from EIP	(2,345,431)	0p	–	–
Outstanding at 31 December	4,536,429	142.5p	6,731,860	63.8p
Exercisable at 31 December	1,988,715	55.9p	3,386,430	34.3p

The 425,000 options exercised as shown in the table above were net-settled at the market price on the day of exercise and resulted in 308,749 ordinary shares being issued (note 22), (2016: 4,975,588 options exercised, 3,969,087 ordinary shares issued).

The exercisable options outstanding at 31 December 2017 had an exercise price of between 0p and 516.0p and a weighted average remaining contractual life of 8.3 years (2016: 7.7 years). The weighted average share price at exercise date for options exercised in the year was 454.1p.

Executive Incentive Plan (EIP)

On 26 November 2016, the performance conditions under the EIP were met and the performance units previously held by the Directors were converted into nil-cost options which were granted on 5 December 2016. On 13 April 2017 the Directors decided to exercise the nil-cost options granted which were currently exercisable.

Of the 2,345,431 nil-cost options exercised, the Company elected to settle 75% of the value in cash, calculated using the closing price on 12 April 2017 of 379.5p. As a result of this 1,759,073 nil-cost options granted under the EIP have been cancelled. The Executive Directors used part of the cash settlement to fund the tax liability on the exercise and hold the balance of 439,768 (Charles Skinner) and 146,590 (Adam Councell) in the new shares of 5p which admitted on 21 April 2017.

The options held as at 31 December 2017 were as follows:

	Number of nil-cost options	**Date from which exercisable**	**2017 Expiry date**	Number of nil-cost options	Date from which exercisable	2016 Expiry date
Charles Skinner	–	5 December 2016	26 November 2023	1,759,073	5 December 2016	26 November 2023
Charles Skinner	879,536	26 November 2017	26 November 2023	879,536	26 November 2017	26 November 2023
Charles Skinner	879,536	26 November 2018	26 November 2023	879,536	26 November 2018	26 November 2023
Adam Councell	–	5 December 2016	26 November 2023	586,358	5 December 2016	26 November 2023
Adam Councell	293,179	26 November 2017	26 November 2023	293,179	26 November 2017	26 November 2023
Adam Councell	293,178	26 November 2018	26 November 2023	293,178	26 November 2018	26 November 2023

Notes to the Group financial statements continued

For the year ended 31 December 2017

29. Directors and Employees

Staff costs during the year	**2017 £'m**	2016 £'m
Wages and salaries	51.1	36.2
Social security costs	5.1	3.5
Post employment benefits	1.1	0.9
Share-based payments charge	0.6	0.8
	57.9	41.4

Average monthly number of employees during the year	**Number**	Number
Directors	2	2
Management	108	101
Administration	348	300
Operatives	1,435	1,395
	1,893	1,798

Total amounts for Directors' remuneration and other benefits	**2017 £'m**	2016 £'m
Emoluments for Directors' services	9.9	11.1
Directors' remuneration shown above included the following amounts in respect of the highest paid Director:		
Salary and benefits	7.2	7.2

Directors' exercised share options during the year as shown on page 33.

Key management compensation	**2017 £'m**	2016 £'m
Short-term employment benefits	3.1	2.4
Social security costs	0.6	2.0
Post employment benefits	0.3	0.2
Other benefits	0.1	0.1
Share-based payments charge	0.6	0.8
Long-term incentives vesting*	8.9	11.9
	13.6	17.4

* £1.2m (2016: £nil) of employers national insurance has been categorised within exceptional items

The key management of the Group are management attending divisional board meetings.

30. Leasing Commitments

The Group leases various premises and assets under non-cancellable operating lease agreements of varying terms. The majority of the lease agreements are renewable at the end of the lease period at market rate.

	Land and buildings		Plant and machinery	
Future aggregate minimum lease payments under non-cancellable operating leases	**2017 £'m**	2016 £'m	**2017 £'m**	2016 £'m
– Within one year	14.4	12.1	1.7	1.8
– Within two to five years	49.2	42.8	4.7	5.6
– Over five years	73.2	44.6	0.7	0.7
	136.8	99.5	7.1	8.1

The operating leases represent rentals payable by the Group for certain properties, vehicles and equipment.

31. Capital Commitments

Capital expenditure	**2017 £'m**	2016 £'m
Contracted for but not provided in the financial statements	0.1	0.3

32. Contingent Liabilities

The Company has entered into a bank cross guarantee with its subsidiaries. The guarantee amounts to £78.2m at 31 December 2017 (2016: £72.3m). The assets of the Company and its subsidiaries are pledged as security for the bank borrowings, by way of a fixed and floating charge.

33. Related Party Transactions and Controlling Party

The remuneration of key management personnel and details of the Directors' emoluments are shown in note 29. Dividends of £66,774, £15,301, £12,682, £84 (2016: £38,787, £12,445, £5,140, £nil) were paid to Charles Skinner, Sir William Wells, Adam Councell and Martin Towers respectively.

The Directors exercised nil-cost options in the year, as disclosed within the Directors' remuneration report (pages 32 and 33).

The Directors do not consider there to be a controlling party.

34. Post Balance Sheet Events

On 3 January 2018, the Group completed the acquisition of the trade and assets of Scanning Direct for £0.1m.
On 9 January 2018, the Group completed the acquisition of certain trade and assets of Papershrink Limited, a scanning business for £0.2m.

Company statement of financial position

As at 31 December 2017

	Note	2017 £'m	2016 £'m
ASSETS			
Non-current assets			
Intangible assets	35	113.1	114.4
Property, plant and equipment	36	30.4	31.5
Investments	37	102.2	95.5
Deferred tax asset	44	2.2	0.2
		247.9	241.6
Current assets			
Inventories	38	0.4	0.3
Trade and other receivables	39	21.5	21.2
Cash and cash equivalents	41	4.5	6.0
		26.4	27.5
Total assets		274.3	269.1
LIABILITIES			
Current liabilities			
Trade and other payables	40	(16.2)	(16.1)
Financial liabilities – borrowings	41	(9.4)	(6.8)
Current tax liabilities		–	(0.2)
		(25.6)	(23.1)
Non-current liabilities			
Financial liabilities – borrowings	41	(79.5)	(78.4)
Other long term liabilities	42	(29.9)	(23.9)
Deferred tax liability	44	(8.4)	(8.0)
Provisions	45	(0.6)	–
		(118.4)	(110.3)
Total liabilities		(144.0)	(133.4)
Net assets		130.3	135.7
EQUITY			
Share capital	46	5.6	5.6
Share premium account		100.9	100.9
Other reserves		3.1	2.3
Retained earnings		20.7	26.9
Equity attributable to the owners of the parent		130.3	135.7

The Company's loss for the financial year was £1.7m (2016: profit £16.1m).

These financial statements were approved by the Board of Directors and authorised for issue on 21 March 2018 and were signed on its behalf by:

Charles Skinner
Chief Executive

Adam Councell
Group Finance Director

Company statement of changes in equity

For the year ended 31 December 2017

	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 2016	4.8	67.5	4.6	12.6	89.5
Profit for the year	–	–	–	16.1	16.1
Total comprehensive income for the year	–	–	–	16.1	16.1
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	–
Acquisition**	–	–	–	1.0	1.0
Share-based payments charge	–	–	0.8	–	0.8
Deferred tax on share-based payments	–	–	(2.2)	–	(2.2)
	0.8	33.4	(2.3)	(1.8)	30.1
Balance at 31 December 2016	5.6	100.9	2.3	26.9	135.7
Balance at 1 January 2017	5.6	100.9	2.3	26.9	135.7
Loss for the year	–	–	–	(1.7)	(1.7)
	–	–	–	(1.7)	(1.7)
Transactions with owners					
Dividends	–	–	–	(4.9)	(4.9)
Transfers*	–	–	(0.4)	0.4	–
Share-based payments charge	–	–	0.6	–	0.6
Cash settlement of EIP options	–	–	(0.8)	–	(0.8)
Deferred tax on share-based payments	–	–	1.4	–	1.4
	–	–	0.8	(4.5)	(3.7)
Balance at 31 December 2017	5.6	100.9	3.1	20.7	130.3

* A net amount of £0.4m has been reclassified from share-based payments reserve to retained earnings in respect of lapsed and exercised options (2016: £0.9m).

** As a result of hive-ups shown in note 35, retained earnings of nil were transferred to the Company (2016: £1.0m).

Company statement of cash flows

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 £'m	Year ended 31 December 2016 £'m
Net cash generated from operations	47	12.7	14.4
Net finance costs		(2.2)	(1.7)
Income taxes paid		(2.3)	(0.3)
Net cash generated from operating activities		8.2	12.4
Cash flows from investing activities			
Purchase of property, plant and equipment and applications software		(2.2)	(2.9)
Purchase of subsidiary undertakings, net of cash acquired		(6.3)	(83.1)
Purchase of trade and assets		(0.4)	–
Proceeds from sale of available for sale assets		–	27.7
Cash flows used in investing activities		(8.9)	(58.3)
Cash flows from financing activities			
Net proceeds from share issues		–	34.2
Dividends paid		(4.9)	(3.7)
Repayment of bank borrowings		(7.3)	–
Repayment of revolving credit facility		(9.0)	(2.5)
New bank loans raised		20.0	20.0
Net cash (used in)/generated from financing activities		(1.2)	48.0
Net (decrease)/increase in cash and cash equivalents		(1.9)	2.1
Cash and cash equivalents at start of year		6.0	3.9
Cash and cash equivalents at end of year	43	4.1	6.0
Cash and cash equivalents shown above comprise:			
Cash at bank		4.5	6.0
Bank overdrafts		(0.4)	–
		4.1	6.0

Company accounting policies

These financial statements for the Company have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and EU endorsed International Financial Reporting Standards (IFRS). The Directors consider that the accounting policies as shown on pages 44 to 53 are suitable, are supported by reasonable judgements and estimates and have been consistently applied except where stated below. A summary of the more important accounting policies is as follows.

Going Concern

The going concern basis has been applied in these accounts on the basis that funds will be made available from other group companies.

The going concern position is discussed further in the consolidated financial statements of the Group on page 44 and applies to the Company.

Company Profit And Loss Account

In accordance with section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The results for the financial year of the Company are given on page 76 of the financial statements.

Hive-Ups

The Company holds investments in trading subsidiaries, but has a policy of hiving-up the trade and assets of acquired subsidiaries within records management. In 2016, the trade and assets of the records management business of Wincanton UK and PHS DS was hived-up to Restore plc. On hive-up, separable intangible assets recognised on the original acquisition are recognised within the Company statement of financial position together with other assets and liabilities. The previously recognised investment in the subsidiary is de-recognised and any balance is taken to goodwill.

Notes to the Company financial statements

For the year ended 31 December 2017

35. Intangible Assets

	Goodwill £'m	Customer relationships £'m	Applications software £'m	Total £'m
Cost				
1 January 2016	33.4	13.9	1.7	49.0
Additions – external	–	–	0.3	0.3
Arising on acquisition of subsidiaries	32.1	40.8	–	72.9
31 December 2016	65.5	54.7	2.0	122.2
1 January 2017	65.5	54.7	2.0	122.2
Additions – external	–	–	0.3	0.3
Arising on acquisition of subsidiaries	0.6	0.4	–	1.0
31 December 2017	66.1	55.1	2.3	123.5
Accumulated amortisation and impairment				
1 January 2016	3.8	0.6	0.8	5.2
Charge for the year	–	2.2	0.4	2.6
31 December 2016	3.8	2.8	1.2	7.8
1 January 2017	3.8	2.8	1.2	7.8
Charge for the year	–	2.2	0.4	2.6
31 December 2017	3.8	5.0	1.6	10.4
Carrying amount				
31 December 2017	62.3	50.1	0.7	113.1
31 December 2016	61.7	51.9	0.8	114.4
1 January 2016	29.6	13.3	0.9	43.8

The customer relationships have a remaining life of 4–20 years. Amortisation is charged to profit or loss as an administrative expense.

The changes to goodwill during the year were as follows:

	£'m
Cost	
1 January 2016	33.4
Acquired – Wincanton UK	13.0
Acquired – PHS DS	19.1
31 December 2016	65.5
Adjusted – PHS DS	0.6
31 December 2017	66.1
Accumulated impairment	
1 January 2016	3.8
31 December 2016	3.8
31 December 2017	3.8
Carrying amount at 31 December 2017	62.3
Carrying amount at 31 December 2016	61.7
Carrying amount 1 January 2016	29.6

In 2016 the trade and assets of the records management business of Wincanton UK and PHS DS was hived-up into the Company.

Annual test for impairment

The recoverable amount of the Company is determined from value-in-use calculations. The calculations use pre-tax cash flow projections based on financial budgets approved by the Directors for year one and cash flow projections for years two and three using growth rates that are considered to be in line with the general trends in which the Company operates. Terminal cash flows are based on these 3 year projections, assumed to grow perpetually at 1%. In accordance with IAS 36, the growth rates for beyond the forecasted three years do not exceed the long-term average growth rate for the industry. The key assumptions forming inputs to the cash flows are in revenues and margins. Revenues for 2018 have been assessed by reference to existing contracts and market volumes. Margins have been assumed to be consistent with those currently achieved in the Document Management division. The forecasts have been discounted at a pre-tax rate of 13.3% (2016: 12.9%). This discount rate was calculated using a pre-tax rate based on the weighted average cost of capital for the Company. This has changed during the year as a result of changes in both the cost of equity and cost of debt for the Company.

The key assumptions used for the value in use calculations are as follows:

	Document Management %
Revenue growth – average over 3 years	4
Revenue growth – remainder	1
Cost growth – employee/overheads, average over 3 years	4

Sensitivity

The Company has not identified any reasonable potential changes to key assumptions that would cause the carrying value of the remaining goodwill or intangibles to exceed its recoverable amount.

36. Property, Plant And Equipment

	Freehold and long leasehold land & buildings £'m	**Leasehold improvements £'m**	**Racking plant & machinery £'m**	**Office equipment fixtures & fittings £'m**	**Motor vehicles £'m**	**Total £'m**
Cost						
1 January 2016	5.7	6.0	12.9	0.8	0.1	25.5
Additions	0.5	0.5	1.3	0.3	–	2.6
Acquisitions	–	0.8	8.3	0.1	–	9.2
31 December 2016	6.2	7.3	22.5	1.2	0.1	37.3
1 January 2017	6.2	7.3	22.5	1.2	0.1	37.3
Additions	0.4	0.6	0.7	0.2	–	1.9
31 December 2017	6.6	7.9	23.2	1.4	0.1	39.2
Accumulated depreciation						
1 January 2016	0.2	0.8	1.9	0.3	–	3.2
Charge for the year	0.1	0.6	1.7	0.2	–	2.6
31 December 2016	0.3	1.4	3.6	0.5	–	5.8
1 January 2017	0.3	1.4	3.6	0.5	–	5.8
Charge for the year	0.2	0.6	1.8	0.3	0.1	3.0
31 December 2017	0.5	2.0	5.4	0.8	0.1	8.8
Net book value						
31 December 2017	6.1	5.9	17.8	0.6	–	30.4
31 December 2016	5.9	5.9	18.9	0.7	0.1	31.5
1 January 2016	5.5	5.2	11.0	0.5	0.1	22.3

Capital expenditure contracted for but not provided in the financial statements is shown in note 51.

Depreciation is charged to profit or loss as an administrative expense. Assets with a net book value of £nil (2016: £nil) were held under finance leases.

Notes to the Company financial statements continued

For the year ended 31 December 2017

37. Investments

Shares in subsidiary undertakings

	£'m
Cost	
1 January 2016	114.4
Adjusted – Diamond	(1.4)
Adjusted – ITP	(0.4)
Acquired – PHS DS	83.1
Capital contribution – subsidiary share-based payment	0.2
Transfer to intangible assets (less deferred tax)	(66.6)
31 December 2016	129.3
1 January 2017	129.3
Acquired – ID Secured	0.4
Acquired – The ITAD Works	1.9
Acquired – Baxter Confidential	1.6
Acquired – Lombard	2.4
Capital contribution – subsidiary share-based payment	0.4
31 December 2017	136.0
Accumulated impairment	
1 January 2016 and 31 December 2016	33.8
31 December 2017	33.8
Net book value	
31 December 2017	102.2
31 December 2016	95.5
1 January 2016	80.6

At 31 December 2017 the Company held directly and indirectly equity and voting rights of the following undertakings:

Company	Class of holding	% held	Country of incorporation	Nature of business
Document Management Division				
All companies within this division are registered at The Databank, Unit 5 Redhill Distribution Centre, Salbrook Road, Redhill, Surrey RH1 5DY.				
*Data Solutions 2016 Limited**	Ordinary	100%	England and Wales	Shredding Services
*Datashred Limited**	Ordinary	100%	England and Wales	Dormant
*Lombard Recycling Limited**	Ordinary	100%	England and Wales	Dormant
*Baxter Confidential Limited**	Ordinary	100%	England and Wales	Dormant
*ID Secured Limited**	Ordinary	100%	England and Wales	Dormant
*Restore Scan Limited**†	Ordinary	100%	England and Wales	Digital Services
*Restore (Spur) Limited	Ordinary	100%	England and Wales	Dormant
*Restore Shred Limited	Ordinary	100%	England and Wales	Dormant
*Wansdyke Security Limited	Ordinary	100%	England and Wales	Dormant
Relocation Division				
All UK companies within this division are registered at 2 Oriental Road, Silvertown, London, E16 2BZ.				
*Harrow Green Limited	Ordinary	100%	England and Wales	Relocation
Relocom Limited**	Ordinary	100%	England and Wales	Relocation
*IT Efficient Limited**	Ordinary	100%	England and Wales	Lifecycle Services
*The ITAD Works Limited**	Ordinary	100%	England and Wales	Lifecycle Services
*ITP Group Holdings Limited**	Ordinary	100%	England and Wales	Holding Company
International Technology Products (UK) Limited**	Ordinary	100%	England and Wales	Printer Cartridge Recycling
International Technology Products GmbH***	Ordinary	100%	Germany	Printer Cartridge Recycling
Office Green Limited**	Ordinary	100%	England and Wales	Printer Cartridge Recycling
Takeback Limited**	Ordinary	100%	England and Wales	Printer Cartridge Recycling
*Diamond Relocations Limited	Ordinary	100%	England and Wales	Dormant
*Sargents Trading Limited	Ordinary	100%	England and Wales	Dormant

* Held directly

** The Company has taken the exemption from audit under section 479A of the Companies Act 2006.

*** The registered address of International Technology Products GmbH is Röntgenstraße 4, Hainburg, D-63512, Germany.

† The registered address of Restore Scan Limited is Unit 2, Tally Close, Agecroft Commerce Park, Swinton, Manchester, M27 8WJ.

Dormant companies are exempt from filing accounts under section 394 of the Companies Act 2006.

38. Inventories

	2017 £'m	2016 £'m
Finished goods and goods for resale	0.4	0.3

£3.0m (2016: £2.0m) of inventories were recognised as an expense in cost of sales in the year.

Notes to the Company financial statements continued

For the year ended 31 December 2017

39. Trade and Other Receivables

	2017 £'m	2016 £'m
Due in less than one year		
Trade receivables	10.6	11.3
Less: provision for impairment of trade receivables	(0.1)	(0.2)
Trade receivables – net	10.5	11.1
Amounts due from group undertakings	0.6	0.5
Other receivables	1.0	0.1
Prepayments and accrued income	6.3	4.6
	18.4	16.3
Due after more than one year		
Amounts due from group undertakings	3.1	4.9
	21.5	21.2

The average credit period is 47 days (2016: 50 days). No interest is charged on the trade receivables for the first 30 days from the date of the invoice. Thereafter, interest may be charged at 2% per annum on the outstanding balance.

Trade receivables are provided for based on estimated irrecoverable amounts, determined by reference to past payment history and the current financial status of the customers.

Movement in the allowance for impairment	2017 £'m	2016 £'m
1 January	0.2	0.1
(Decrease)/increase in amount recognised in profit or loss	(0.1)	0.1
31 December	0.1	0.2

In determining the recoverability of the trade receivables, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. See note 43 for an analysis of trade receivables that were past due but not impaired.

40. Trade and Other Payables

	2017 £'m	2016 £'m
Trade payables	4.9	4.9
Amount due to group undertakings	0.3	0.5
Other taxation and social security	2.1	2.1
Other payables	0.3	–
Accruals and deferred income	8.6	8.6
	16.2	16.1

The Company has financial risk management policies in place to ensure that all payables are paid within the credit time frame. Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period for trade purchases is 52 days (2016: 62 days).

41. Financial Liabilities – Borrowings

	2017 £'m	2016 £'m
Current		
Overdraft on demand	0.4	–
Bank loans – secured	9.3	7.0
Deferred financing costs	(0.3)	(0.2)
	9.4	6.8
Non-current		
Bank loans – secured	80.4	79.0
Deferred financing costs	(0.9)	(0.6)
	79.5	78.4

The bank debt is due to The Royal Bank of Scotland plc and Barclays Bank plc and is secured by a fixed and floating charge over the assets of the Group. The interest rate profile and an analysis of borrowings is given in note 43. Under the bank facility the Group is required to meet quarterly covenant tests in respect of cashflow cover, interest cover and leverage. All tests were met during the year and the Directors expect to continue to meet these tests.

Analysis of net debt

	2017 £'m	2016 £'m
Cash at bank and in hand	4.5	6.0
Bank loans and overdrafts due within one year	(9.4)	(6.8)
Bank loans due after one year	(79.5)	(78.4)
	(84.4)	(79.2)

42. Other Financial Liabilities

	2017 £'m	2016 £'m
Amount due to group undertakings	29.9	23.9

43. Financial Instruments

The Company's financial instruments comprise cash, bank and various other receivable and payable balances that arise from its operations. The main purpose of these financial instruments is to finance the Company operations.

	2017 £'m	2016 £'m
Cash and cash equivalents	4.1	6.0

As at 31 December 2017 trade receivables of £0.2m (2016: £1.5m) were past due but not impaired. These relate to a number of independent customers with no recent history of default. The ageing analysis of these trade receivables is as follows:

	2017 £'m	2016 £'m
60–90 days	0.2	1.1
Greater than 90 days	–	0.4

The main financial risks arising from the Company's financial instruments are interest rate risk and liquidity risk. The Directors review and agree policies for managing each of these risks. Interest rates are regularly reviewed to ensure competitive rates are paid. Detailed cash flows are produced on a regular basis to minimise liquidity risks.

Notes to the Company financial statements continued

For the year ended 31 December 2017

43. Financial Instruments continued

Carrying value of financial assets and (liabilities) excluding cash and borrowings

	2017 £'m	2016 £'m
Loans and receivables	12.2	11.6
Financial liabilities measured at amortised cost	(14.2)	(13.8)

Currency and interest rate risk profile of financial liabilities

All bank borrowings were subject to floating interest rates, at LIBOR plus a margin of between 1.85% and 2.10%, depending on the leverage covenant.

The interest rate risk profile of the Company's gross borrowings for the year was:

Currency	Total £'m	Floating rate financial liabilities £'m	Weighted average interest rates %
Sterling at 31 December 2017	88.9	88.9	2.3
Sterling at 31 December 2016	85.2	85.2	2.4

The exposure of Company's borrowings to interest rate changes and contractual pricing dates at the end of the year are as follows:

	2017 £'m	2016 £'m
6 months or less	88.9	85.2

Interest rate sensitivity

At 31 December 2017, if interest rates had been 50 basis points higher and all other variables were held constant, it is estimated that the Company's loss before tax would be approximately £0.5m higher (2016: profit £0.3m lower). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings and is based on the change taking place at the beginning of the financial year and held constant throughout the year.

The Company's sensitivity to future interest rates changes has increased during the current year due to the increased debt.

Financial assets recognised in the statement of financial position and interest rate profile

All financial assets are short-term receivables and cash at bank. The cash at bank earns interest based on the variable bank base rate and is held with Barclays Bank plc.

Maturity of financial liabilities

The maturity profile of the carrying amount of the Company's financial liabilities (including interest payments), other than short-term trade payables and accruals which are due within one year was as follows:

	Bank debt £'m	Other financial liabilities* £'m	2017 Total £'m	Bank debt £'m	Other financial liabilities* £'m	2016 Total £'m
Within one year, or on demand	9.4	0.1	9.5	6.8	–	6.8
Between one and two years	7.0	–	7.0	6.0	–	6.0
Between two and five years	72.5	29.9	102.4	72.4	23.9	96.3
	88.9	30.0	118.9	85.2	23.9	109.1

* Other financial liabilities include interest accruals, amounts owing under finance leases and contingent and deferred consideration.

Borrowing facilities

The Company has a finance facility with The Royal Bank of Scotland plc and Barclays Bank plc which expires on 4 November 2022. This new facility in 2017 comprised a term loan of £84.5m and a revolving credit facility (RCF) of £30.0m, which is partly reduced by an on demand net overdraft facility of £1.5m (2016: term loan £67.5m, RCF £30.0m and overdraft £1.5m). An offset facility is in place and on a gross basis; £5.6m of the overdraft facility was unutilised at 31 December 2017 (2016: £7.5m). Details of security are given in note 41. Committed but undrawn borrowing facilities as at 31 December 2017 amounted to £33.3m (2016: £12.5m).

All of the Company's borrowings are in sterling.

Fair values of financial assets and financial liabilities

The Company's financial assets and liabilities bear floating interest rates and are relatively short-term in nature. In the opinion of the Directors the book values of the assets and liabilities equate to their fair value.

Interest rate management (see page 67)

44. Deferred Tax

Summary of balances	**2017 £'m**	2016 £'m
Deferred tax liabilities	(8.4)	(8.0)
Deferred tax asset	2.2	0.2
Net position at 31 December	(6.2)	(7.8)

The movement in the year in the Company's net deferred tax position is as follows:

	2017 £'m	2016 £'m
1 January	(7.8)	(0.8)
Credit to profit or loss for the year	0.3	1.6
Tax credited/(charged) directly to equity	1.4	(2.2)
Acquisitions	(0.1)	(6.4)
31 December	(6.2)	(7.8)

The following are the major deferred tax liabilities and assets recognised by the Company and the movements thereon during the year:

Deferred tax liabilities

	Accelerated capital allowances £'m	**Intangible assets £'m**	**Total £'m**
1 January 2016	(1.1)	(2.0)	(3.1)
Credit to income for the year	0.4	1.1	1.5
Acquisitions	–	(6.4)	(6.4)
31 December 2016	(0.7)	(7.3)	(8.0)
(Charge)/credit to income for the year	(0.6)	0.2	(0.4)
31 December 2017	(1.3)	(7.1)	(8.4)

Notes to the Company financial statements continued

For the year ended 31 December 2017

44. Deferred Tax continued

Deferred tax assets

	Share-based payments £'m
1 January 2016	2.3
Credit to income for the year	0.1
Transactions with owners	(2.2)
31 December 2016	0.2
Credit to income for the year	0.6
Transactions with owners	1.4
31 December 2017	2.2

A deferred tax asset has been recognised on the share-based payments charge. An amount of £1.4m (2016: £2.2m charged) has been credited to equity.

45. Provisions

	Onerous lease provision £'m	Dilapidation provision £'m	Total £'m
1 January 2016	0.1	–	0.1
Used during the year	(0.1)	–	(0.1)
31 December 2016	–	–	–
Arising on the acquisition of PHS	–	0.6	0.6
31 December 2017	–	0.6	0.6

The dilapidation provision relates to the estimated liability acquired in respect of 23 sites acquired as part of the PHS acquisition.

Provisions are analysed as follows:

	2017 £'m	2016 £'m
Non-current	0.6	–

46. Share Capital

	2017 £'m	2016 £'m
Authorised:		
199,000,000 ordinary shares of 5p each	10.0	10.0
Allotted, issued and fully paid:		
112,962,586 (2016: 112,067,479) ordinary shares of 5p each	5.6	5.6

The issued ordinary share capital is as follows:

Date	Number of ordinary shares	Issue price
1 January 2016	95,954,760	
11 May 2016 – exercise of share options	3,916,015	5.0p
9 June 2016 – exercise of share options	38,051	5.0p
26 August 2016 – equity raised to acquire PHS DS	12,143,632	290.0p
13 December 2016 – exercise of share options	15,021	5.0p
31 December 2016	112,067,479	
23 January 2017 – exercise of share options	60,187	5.0p
20 April 2017 – exercise of share options	15,591	5.0p
21 April 2017 – exercise of share options	586,358	5.0p
28 April 2017 – exercise of share options	16,268	5.0p
9 June 2017 – exercise of share options	32,717	5.0p
18 September 2017 – exercise of share options	35,776	5.0p
25 September 2017 – exercise of share options	75,366	5.0p
13 November 2017 – exercise of share options	36,410	5.0p
15 December 2017 – exercise of share options	36,434	5.0p
31 December 2017	112,962,586	

The 895,107 (2016: 3,969,087) ordinary shares shown as issued above as a result of the exercise of share options were net-settled at market price on the day of exercise (note 28).

47. Cash Inflow From Operations

	2017 £'m	2016 £'m
Continuing operations		
(Loss)/profit before tax	(1.7)	5.1
Depreciation of property, plant and equipment	3.0	2.6
Amortisation of intangible assets	2.6	2.6
Net finance costs	2.8	1.7
Share-based payments charge	0.2	0.6
Share-based payments charge on cash-settled EIP options	7.2	–
Cash settlement of EIP options	(7.9)	–
Increase in inventories	(0.1)	–
Decrease in trade and other receivables	(0.3)	4.9
Increase/(decrease) in trade and other payables	6.9	(3.1)
Net cash generated from continuing operations	12.7	14.4
Discontinued operations		
Profit before tax	–	7.9
Profit on disposal of available for sale assets	–	(7.9)
Net cash generated from discontinued operations	–	–
Net cash generated from operations	12.7	14.4

48. Share-Based Payments

Details of the share-based payments can be found in note 28.

Notes to the Company financial statements continued

For the year ended 31 December 2017

49. Directors and Employees

Staff costs during the year	2017 £'m	2016 £'m
Wages and salaries	14.6	12.6
Social security costs	1.5	1.2
Post employment benefits	0.3	0.3
Share-based payments charge	0.2	0.6
	16.6	14.7

Average monthly number of employees during the year	Number	Number
Directors	2	2
Management	51	53
Administration	78	64
Operatives	458	447
	589	566

Total amounts for Directors' remuneration and other benefits	2017 £'m	2016 £'m
Emoluments for Directors' services	9.9	11.1
Directors' remuneration shown above included the following amounts in respect of the highest paid Director:		
Salary and benefits	7.2	7.2

Directors exercised share options during the year as shown on page 33.

Key management compensation	2017 £'m	2016 £'m
Short-term employment benefits	1.8	1.3
Social security costs	1.6	1.4
Post employment benefits	0.2	0.1
Share-based payments charge	0.2	0.6
Long-term incentives vesting*	8.9	11.4
	12.7	14.8

* £1.2m (2016: £nil) of employers national insurance has been categorised within exceptional items

50. Leasing Commitments

The Company leases various premises and assets under non-cancellable operating lease agreements of varying terms. The majority of the lease agreements are renewable at the end of the lease period at market rate.

	Land and buildings		Plant and machinery	
Future aggregate minimum lease payments under non-cancellable operating leases	2017 £'m	2016 £'m	2017 £'m	2016 £'m
– Within one year	11.5	10.8	0.7	0.7
– Within two to five years	41.5	39.2	0.8	1.0
– Over five years	53.0	37.3	–	–
	106.0	87.3	1.5	1.7

The operating leases represent rentals payable by the Company for certain properties, vehicles and equipment.

51. Capital Commitments

Capital expenditure	2017 £'m	2016 £'m
Contracted for but not provided in the financial statements	0.1	0.2

52. Contingent Liabilities

The Company has entered into a bank cross guarantee. The guarantee amounts to £78.2m at 31 December 2017 (2016: £72.3m). The assets of the Company are pledged as security for the bank borrowings, by way of a fixed and floating charge.

53. Related Party Transactions and Controlling Party

Details of related party transactions can be found in note 33.

Notice of Annual General Meeting

Restore plc

Notice is hereby given that the Annual General Meeting of Restore plc ("the Company") will be held at the offices of Cenkos Securities plc, 6.7.8 Tokenhouse Yard, London EC2R 7AS on 21 May 2018 at 1.00pm for the following purposes:

Ordinary Business

1. To receive the Company's annual accounts for the financial year ended 31 December 2017, together with the Directors' report and the auditors' report on those accounts.

2. To appoint PricewaterhouseCoopers LLP as auditors to the Company to hold office from the conclusion of the meeting until the conclusion of the next annual general meeting at which accounts are laid.

3. To authorise the Directors to set the auditors' remuneration.

4. To re-appoint Sharon Baylay, who retires by rotation pursuant to the Company's articles of association, as a Director of the Company.

5. To re-appoint Charles Antony Lawrence Skinner, who retires by rotation pursuant to the Company's articles of association, as a Director of the Company.

6. To re-appoint James Christie Falconer Wilde, who retires by rotation pursuant to the Company's articles of association, as a Director of the Company.

7. To declare a final dividend of 3.33p per ordinary share in respect of the year ended 31 December 2017. This dividend will be paid on 6 July 2018 to the holders of ordinary shares at 6pm on 8 June 2018 (the ex-dividend date being 7 June 2018).

Special Business

As special business, to consider and, if thought fit, to pass the following resolutions which will be proposed as to resolution 8 as an ordinary resolution and as to resolutions 9 and 10 as special resolutions:

8. That the Directors be and they are hereby generally and unconditionally authorised in substitution for all existing authorities (but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities) to exercise all the powers of the Company to allot equity securities (as defined in section 560 of the Companies Act 2006 (the "Act") up to an aggregate nominal amount of £1,882,709.75 (being 37,654,195 ordinary shares of 5p each) provided that this authority shall, unless renewed, expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or if earlier on the date which is 15 months after the date of this Annual General Meeting, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offers agreements as if the authority conferred by this resolution had not expired.

9. That, subject to the passing of resolution number 8 above, the Directors be and they are hereby empowered, pursuant to section 570 of the Act, to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred by resolution number 8 or by way of a sale of treasury shares as if section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to:

    9.1 the allotment of equity securities in connection with a rights issue or other pro rata offer in favour of holders of equity securities where the equity securities respectively attributable to the interests of all those persons at such record dates as the directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held by them subject to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with treasury shares, fractional entitlements, record dates, practical or legal difficulties under the laws of any territory or the requirements of any regulatory body or stock exchange or by virtue of equity securities being represented by depositary receipts or any other matter whatsoever; and

    9.2 the allotment (otherwise than pursuant to paragraph 9.1 above) of equity securities up to an aggregate nominal amount of £564,812.93, and shall expire upon the expiry of the general authority conferred by resolution 8 above, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted and/or shares held by the Company in treasury to be sold or transferred after such expiry and the directors may allot equity securities and/or sell or transfer shares held by the Company in treasury in pursuance of such offers or agreements as if the power conferred by this resolution had not expired.

Notice of Annual General Meeting continued

10. That the Company be and is hereby generally and unconditionally authorised, in accordance with section 701 of the Act, to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 5p each in the capital of the Company ("Ordinary Shares") on such terms and in such manner as the directors may from time to time determine provided that:

    10.1 the maximum number of Ordinary Shares authorised to be purchased is 11,296,258;

    10.2 the minimum price which may be paid for each Ordinary Share is 5p (exclusive of expenses payable by the Company); and

    10.3 the maximum price which may be paid for each Ordinary Share (exclusive of expenses payable by the Company) cannot be more than 105 per cent of the average market value of an Ordinary Share for the five business days prior to the day on which the Ordinary Share is contracted to be purchased.

    The authority conferred shall expire at the conclusion of the next annual general meeting of the Company or if earlier on the date which is 15 months after the date of this Annual General Meeting except that the Company may before such expiry make a contract to purchase its own shares which will or may be completed or executed wholly or partly after such expiry.

By order of the Board

Sarah Waudby
Company Secretary
21 March 2018

Registered Office

The Databank
Unit 5
Redhill Distribution Centre
Salbrook Road
Redhill
Surrey RH1 5DY

Notes: These notes are important and require your immediate attention.

1. A Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint another person of his/her choice as that Shareholder's proxy to exercise all or any of that Shareholder's rights to attend and to speak and vote at the meeting on his/her behalf. A Shareholder may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that Shareholder. A proxy does not need to be a shareholder of the Company.
2. A Form of Proxy for use in connection with the meeting is enclosed with the document of which this notice forms part. Completion and return of a Form of Proxy will not prevent a Shareholder from attending and voting in person at the meeting. Addresses (including electronic addresses) in this document are included strictly for the purposes specified and not for any other purpose.
3. To appoint a proxy or proxies Shareholders must complete a Form of Proxy, sign it and return it, together with the power of attorney or, any other authority under which it is signed, or a notarially certified copy of such authority, to the Company's registrars, Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF so that it is received no later than 1.00pm on 17 May 2018.
4. Only those members entered on the register of members of the Company at close of business on 17 May 2018 or, in the event that this meeting is adjourned, in the register of members as at close of business on the day two days before the date of any adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their names at that time. Changes to the entries on the register of members by the close of business on 17 May 2018 or, in the event that this meeting is adjourned, in the register of members before the close of business on the day two days before the date of the adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held at 1.00pm on 21 May 2018 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent, Link Market Services Limited (CREST Participant ID: RA10), no later than 48 hours before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

   CREST members and, where applicable, their CREST sponsor or voting service provider should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsor or voting service provider are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
6. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. In the event of a conflict between a blank proxy form and a proxy form which states the number of shares to which it applies, the specific proxy form shall be counted first, regardless of whether it was sent or received before or after the blank proxy form, and any remaining shares in respect of which you are the registered holder will be apportioned to the blank proxy form. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you should contact Link Asset Services, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.
7. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
8. Copies of the following documents will be available for inspection at the Company's registered office during normal working hours on any week day (Saturdays, Sundays and public holidays excepted) from the date of this notice until the date of the Annual General Meeting and at the place of the Annual General Meeting for 15 minutes prior to and during the meeting:

   a. copies of all service agreements or letters of appointment under which the Directors of the Company are employed by the Company.
9. Biographical details of each Director who is being proposed for re-appointment or re-election by shareholders can be found by visiting the Company's website www.restoreplc.com.

Notice of Annual General Meeting continued

EXPLANATION OF RESOLUTIONS

Resolution 8 – authority to allot shares

At the last Annual General Meeting of the Company held on 22 May 2017, the directors were given authority to allot ordinary shares in the capital of the Company up to a maximum nominal amount of £1,868,794.45 representing approximately one third of the Company's then issued ordinary share capital.

The Directors consider it appropriate that a further authority be granted to allot ordinary shares in the capital of the Company up to a maximum nominal amount of £1,882,709.75 representing approximately one third of the Company's issued ordinary share capital as at 20 March 2018 (the latest practicable date before publication of this document) during the shorter of the period up to the conclusion of the next annual general meeting in 2019 or 15 months.

As at the date of this notice the Company does not hold any ordinary shares in the capital of the Company in treasury.

Resolution 9 – disapplication of statutory pre-emption rights

Resolution 9 will empower the Directors to allot ordinary shares in the capital of the Company for cash on a non-pre-emptive basis:

- in connection with a rights issue or other pro-rata offer to existing shareholders; and
- (otherwise than in connection with a rights issue or other pro-rata offer to existing shareholders) up to a maximum nominal value of £564,812.93, representing approximately 10 per cent of the issued ordinary share capital of the Company as at 20 March 2018 (the latest practicable date before publication of this document).

Resolution 10 – authority to make market purchases of own shares

Resolution 10 gives the Company authority to buy back its own ordinary shares in the market as permitted by the Companies Act 2006. The authority limits the number of shares that could be purchased to a maximum of 11,296,258 (representing approximately 10 per cent. of the Company's issued ordinary share capital as at 20 March 2018 (the latest practicable date before publication of this document)), and sets minimum and maximum prices. This authority will expire at the conclusion of the next annual general meeting or, if earlier, 15 months after the resolution is passed.

The Directors have no present intention of exercising the authority to purchase the Company's ordinary shares but will keep the matter under review, taking into account the financial resources of the Company, the Company's share price and future funding opportunities. The authority will be exercised only if the directors believe that to do so would be in the best interest of shareholders generally.

Companies purchasing their own shares are allowed to hold them in treasury as an alternative to cancelling them. No dividends are paid on shares whilst held in treasury and no voting rights attach to treasury shares.

Restore plc

(the 'Company')
(registered in England – No. 5169780)

FORM OF PROXY FOR USE AT THE ANNUAL GENERAL MEETING TO BE HELD ON 21 MAY 2018 AT 1.00pm.

I/We

(Name in full in block capitals please)

of

being [a] member[s] of Restore plc appoint the Chairman of the meeting or

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 21 May 2018 at 1.00pm and at any adjournment of the meeting, on the resolutions listed below, as indicated by an 'X' in the appropriate box and, on any other resolutions, as he thinks fit.

Please tick here if this proxy appointment is one of multiple appointments being made

Resolution	Business	For	Against	Vote Withheld
Ordinary Resolutions				
1.	To receive the Company's annual accounts for the financial year ended 31 December 2017 together with the Directors' report and the auditor's report on those accounts.			
2.	To appoint PricewaterhouseCoopers LLP as auditors.			
3.	To authorise the Directors to set the auditors' remuneration.			
4.	To re-appoint Sharon Baylay as a Director of the Company.			
5.	To re-appoint Charles Antony Lawrence Skinner as a Director of the Company.			
6.	To re-appoint James Christie Falconer Wilde as a Director of the Company.			
7.	To declare a dividend of 3.33p per Ordinary Share .			
8.	To authorise the Directors to allot shares pursuant to section 551 Companies Act 2006.			
Special Resolutions				
9.	To disapply section 561 Companies Act 2006.			
10.	To authorise the Company to make market purchases of its own shares.			

Signature:

Date: 2018

To return your completed Proxy form
please use the reply paid envelope provided

Notice of Annual General Meeting continued

NOTES

1. A member who is entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and to vote instead of him/her provided each proxy is appointed to exercise rights in respect of different shares. To appoint more than one proxy (an) additional proxy form(s) may be obtained by contacting Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF, or you may photocopy this page indicating on each copy the name of the proxy you wish to appoint and the number of shares in respect of which the proxy is appointed. All forms must be signed and should be returned to Link Asset Services in the same envelope.

2. A proxy need not be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the space provided. If you sign and return this proxy form with no name inserted as such, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions.

3. If someone else signed the form on your behalf, you or that person must send the power of attorney or other written authority under which it is signed to the address detailed in Note 6 below.

4. In the case of joint holders, the vote of the senior member who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of any other of the joint holders. For these purposes, seniority shall be determined by the order in which the names stand on the register of members.

5. In the case of a corporation, this Form of Proxy must be executed under its common seal or signed on its behalf by a duly authorised officer.

6. To be valid any proxy form or other instrument appointing a proxy must be:

   a. completed and signed;

   b. sent or delivered to Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF; and

   c. received by Link Asset Services no later than 1.00pm on 17 May 2018.

7. Completion of a Form of Proxy will not affect the right of a member to attend and vote at the Annual General Meeting.

8. To direct your proxy how to vote on the resolutions mark the appropriate box on your proxy form with an 'X'. To abstain from voting on a resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

9. Shares held in uncertificated form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST Manual. The message must be transmitted so as to be received by the Company's agent, Link Market Services Limited (CREST Participant ID: RA10), no later than 48 hours before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

10. You may not use any electronic address provided either in this form of proxy or any related documents (including the notice of meeting) to communicate with the Company for any purposes other than those expressly stated.

Officers and advisers

Company Secretary
Sarah Waudby

Registered Number and Office
05169780
The Databank
Unit 5 Redhill Distribution Centre
Salbrook Road
Redhill
Surrey
RH1 5DY

Nominated Adviser & Broker
Cenkos Securities plc
6.7.8 Tokenhouse Yard
London
EC2R 7AS

Public relations
FTI Consulting
200 Aldersgate
Aldersgate Street
London
EC1A 4HD

Investor Relations Consultants
Capital Access Group
Sky Light City Tower
50 Basinghall Street
London
EC2V 5DE

Independent Auditor
RSM UK Audit LLP
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

Solicitors
Brabners LLP
55 King Street
Manchester
M2 4LQ

Bankers
Barclays Bank PLC
1 Churchill Place
London
E14 5HP

The Royal Bank of Scotland plc
Floor 9
280 Bishopsgate
London
EC2M 4RB

Registrars
Link Asset Services
34 Beckenham Road
Beckenham Kent
BR3 4TU

Trading Record

Year ended 31 December	**2017 £'m**	2016 £'m	2015 £'m	2014 £'m	2013 £'m
Revenue	176.2	129.4	91.9	67.5	53.6
Adjusted profit before taxation*	31.2	23.0	16.3	12.0	10.0
Adjusted earnings per share*	22.4p	17.9p	15.6p	12.3p	10.5p
Net debt	78.2	72.3	60.6	30.9	16.0
Net assets	155.9	152.1	104.7	67.0	47.1

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

Financial calendar

Annual General Meeting	Held in May
Half year results	September
Financial year end	31 December
Full year results	March

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LOCATIONS

Restore plc

Head Office

66 Grosvenor Street,
London, W1K 3JL

T: 020 7409 2420
E: info@restoreplc.com
W: www.restoreplc.com

Restore Records Management

The Databank, Unit 1 Redhill Distribution Centre,
Salbrook Road, Redhill, Surrey, RH1 5DY

T: 01293 446 270
E: admin@restore.co.uk
W: www.restore.co.uk

Restore Datashred

Unit Q1, Queen Elizabeth Distribution Centre,
Purfleet, Essex, RM19 1NA

T: 0800 376 4422
E: customerhub@restore.co.uk
W: www.shredding.info

Restore Digital

Unit 2 Tally Close, Agecroft Commerce Park,
Swinton, Manchester, M27 8WJ

T: 0333 043 5643
E: info@restorescan.co.uk
W: www.restore.co.uk/scan

Restore Harrow Green

2 Oriental Road, Silvertown,
London, E16 2BZ

T: 0345 603 8774
E: info@harrowgreen.com
W: www.harrowgreen.com

Restore Technology

Cardington Point, Telford Way,
Bedford, MK42 0PQ

T: 01462 813 132
E: technology@restore.co.uk
W: www.restore.co.uk/technology