31 July 2019

Restore plc
(AIM: RST)

Half Year Results 2019

Strong Growth and Cash Generation

Restore plc (AIM: RST), the UK leader in document management and business relocation services, announces its unaudited results for the six months ended 30 June 2019 ("H1" or "the period").

Financial highlights*

- Group revenue up 15% to £106.2m, including organic growth of 3%
- Group adjusted profit before tax up 17% to £20.1m (statutory PBT £12.0m, up 30%)
- Group adjusted operating margin up 60bps to 21%
- Adjusted earnings per share up 10% to 13.1p (Basic EPS 7.8p, up 28%)
- Document Management revenue up 15% to £80.4m; adjusted operating profit up 22% to £21.5m
- Relocation revenue up 13% to £25.8m, adjusted operating profit up 4% to £2.7m
- Operational cash conversion of 115%, reflecting strong levels of operational cash flow and a material reduction in exceptional costs to £2.0m (2018: £4.3m)
- Net debt at 30 June 2019 reduced by £16.3m from year end position to £95.0m, with leverage reduced to 1.8x adjusted EBITDA within the normal target range 1.5-2.0x (FY18 2.1x adjusted EBITDA)
- Interim dividend per share up 20% to 2.4p

(* continuing operations (excludes Printer Cartridge Recycling), before amortisation of intangible assets, exceptional items and share-based payments charge, excludes the effects of the adoption of IFRS 16)

Business highlights

- Records Management organic revenue growth of 4%, with net box growth reflecting continued market share gain
- Integration of all prior year acquisitions now complete
- Rainham Records Management facility build on track for box in-take commencing in Q1 2020
- Restore Datashred performance has stabilised with sequentially improved performance from H2 2018 to H1 2019, despite softer paper prices
- New Managing Director appointed for Restore Datashred
- Restore Digital – major exam scanning contract completed successfully; significant new contract win in public sector with a value of £9m+ over 3 years
- Restore Harrow Green performed in line with expectations
- Bolt-on acquisition of Secure IT Disposals to broaden the capability and customer base of Restore Technology

Full Year 2019 outlook

- Board's expectations for full year remain unchanged
- Focus on continued organic growth and market share gains, leveraging the strong market position of each business unit
- Longer term acquisition pipeline being built around opportunities to add capability and scale
- Material reduction in leverage anticipated for the year as a result of improved cash generation

Charles Bligh, CEO of Restore, commented:

"I am pleased to report a strong first-half performance in line with expectations and a 10% improvement in underlying EPS. Our continued organic growth has been underpinned by a focus on customer service and a solid operational performance. The expected lower level of exceptional costs has been reflected in strong cash generation and a resultant strengthening of the Group's financial position.

The integration of all prior acquisitions, including TNT Business Solutions, has now been completed successfully and our new public sector team continues to build a good pipeline.

After five months in the role and after spending time meeting the team, visiting sites, and talking with customers, it is clear that we have significant opportunities to grow in the UK, both organically and through selective acquisitions.

The underlying cash generation capability of the business will lead to substantially reduced net debt this year and this solid financial position leaves us well positioned to capitalise on opportunities to acquire capability and add scale in all of the markets we serve as and when they arise.

The Board's expectations for the full year remain unchanged."

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Financial highlights

ADJUSTED RESULTS – Continuing operations	Using consistent accounting policies* HY 2019	HY 2018	% Change	Under revised accounting policies** HY 2019
Revenue (£m)	106.2	92.7	15%	106.2
EBITDA (£m)	25.9	22.0	18%	34.7
Operating profit (£m)	22.2	18.8	18%	22.8
Operating margin	21%	20%	1%	21%
Profit before tax (£m)	20.1	17.2	17%	18.0
Earnings per share***	13.1	11.9	10%	11.8
Dividend per share (p)	2.4	2.0	20%	2.4
Net debt (£m)*	95.0	115.4		95.0

** Before amortisation of intangible assets, exceptional items and share-based payments charge, excludes the effects of the adoption of IFRS 16*
*** Before amortisation of intangible assets and exceptional items, includes the adoption of IFRS 16*
**** Calculated based on the weighted average shares in issue and a standard tax charge*

STATUTORY RESULTS – Continuing operations	HY 2019	HY 2018*
Operating profit (£m)	16.8	10.8
Profit before tax (£m)	12.0	9.2
Basic earnings per share (p)	7.8	6.1

** Before the adoption of IFRS 16*

Full details of the impact of IFRS 16 and the changes to accounting policies are discussed later in this report and in note 11.

Business highlights

Overall the Group delivered a strong first half result with growth in both revenues and underlying profits, together with excellent cash conversion. We continue to benefit from good visibility of contracted annuity revenues, with strong execution by our team resulting in high levels of customer satisfaction and retention.

The focus in the period has been on delivering high levels of customer service and ensuring a strong operational and financial foundation for continued growth. An important milestone in this regard was the completion, at the end of July, of all integration projects from prior acquisitions. The closure of the TNT BS Beckton site will complete in Q4 2019.

We believe that all five business units in the Group can grow organically and take market share, with four of the business units in particular having opportunities to grow strategically through acquisition. There also remains further scope to leverage the strength of each unit to broaden our cross-selling initiatives. In order to maximise these opportunities, we remain focused on further strengthening our core platform with effective operational execution leading to efficiency gains and margin expansion.

We completed one bolt-on acquisition in the period and a smaller acquisition in July 2019 within Restore Technology. Secure IT Disposals, which was acquired in June, brings further certifications to the Group in the highly secure market and broadens our customer base. The integration is expected to be finished in H2 2019 with minimal exceptional costs. We also completed a smaller acquisition from a pre-pack administration process in July 2019 which will be fully integrated by mid August 2019 and provide additional systems and capabilities in the disposal of spare parts.

Document Management
Our Document Management division comprises Restore Records Management, Restore Datashred and Restore Digital.

For the period the division achieved an adjusted operating profit of £21.5m (H1 2018: £17.6m) on turnover of £80.4m (H1 2018: £69.9m).

Restore Records Management – Revenue £47.8m up 23% yoy (H1 2018: £38.8m)

Our core records management business had a strong H1, delivering 23% revenue growth, of which 4% represented organic growth, in line with our expectations. We saw net box growth in H1 through a mixture of new business wins in the period, additional boxes from large contracts secured in the prior year coming into our facilities and ongoing box intake from existing customers. Following the sharp increase in destruction rates in H1 2018 as a result of GDPR implementation, destruction rates have stabilised and we are seeing a steady stream of project-based revenues resulting from customers' ongoing GDPR compliance requirements.

We have completed the TNT BS integration as planned, with the last customer data and processes migrated onto our strategic IT system. The closure of the Beckton site will complete in Q4 2019.

We are continuing to increase our public sector presence as evidenced by a contract award from a large London NHS Trust in Q3 2018, the implementation of which was completed in H1. This is a key project which demonstrates the more differentiated and integrated service offerings (which in the past have not been outsourced) we can bring to customers to decrease their costs and in turn provide a better service to their customers.

Our forward pipeline is healthy and our increased focus on the public sector combined with excellent service delivery is gaining traction. In addition to records management, we are seeing increased opportunity to sell additional Group services of shredding, scanning and heritage storage to government to provide a broader overall service.

We are running at 96% utilisation across the estate, slightly higher than at the start of the year (93%). Our property rationalisation continues as we focus on our cost structure and the quality of our facilities, which is likely to result in a number of site closures in the South East. We are continuing to increase our capacity, with 700k+ box slots coming online through our Rainham build, which is on track for Q1 2020. The continued development of our freehold mine at Monkton Farleigh (near Bath) and the leasing of further Hardened Aircraft Shelters at our site in Oxfordshire will give us additional capacity towards the end of 2019 and into 2020.

Restore Datashred – Revenue £21.0m up 1% yoy (2018: £20.8m)

H1 results in Restore Datashred, our secure shredding and recycling business, which is one of only two national operators, were satisfactory and showed further sequential improvement over the second half of 2018. More focused marketing initiatives resulted in revenues slightly ahead of a tough comparator in H1 2018, which benefited from the sharp increase in GDPR-related document destruction. Improved cost control and execution resulted in a stronger operational performance than that achieved in the latter part of 2018.

Consistently high levels of service delivery have been key to ensuring high rates of customer retention. In the period, we increased our online marketing spend and saw a corresponding improvement in response rates in the SME market. We believe there is scope to significantly improve our brand awareness and online channel activities to drive increased sales in this segment.

We have a well-invested business across the UK, with substantial capacity to add more volume, which will help to drive margin expansion. Our new Crayford facility in South East London, which has been operational for nine months, has given us spare capacity to serve the London market, which we see as a key opportunity to expand.

Consistent with the wider industry, we have seen pressure on recycled paper pricing in H1, in a large part due to reduced quotas into the Chinese market from May onwards. Strategically we believe this represents an opportunity for the Group as it will favour scale operators like Restore Datashred with a balance of service and paper revenues which produce quality recycled paper.

A new Managing Director, Duncan Gooding, has been appointed and he will start in October. Duncan has relevant experience in delivering sales growth in the corporate/public sector market and also significant experience driving digital sales and operational transformation. We believe this will be key to our success in the SME market, which is growing as an increasing number of smaller companies take securing their data more seriously. We are delighted to have an executive of Duncan's calibre to lead our team.

Restore Digital – Revenue £11.6m up 13% yoy (2018: £10.3m)

Restore Digital, our digitisation business whose primary activity is scanning, delivered increased volumes and revenue year-on-year. This included the successful delivery of our key exam (GCSE and A level) scanning contract in the May-July period.

In the period we signed a £9m+ contract addition to be delivered over three years with an existing public sector customer which demonstrates the opportunity to drive significant repeat and extended business on the back of strong customer service and contract delivery. We also secured a substantial, multi-year contract to scan GP patient records across the UK which will ramp up in the second half of 2019.

Our Consultancy function (where we provide consultancy services ranging from developing business cases for digitisation through to full project implementation) is trading strongly and as customer demand grows, we intend to scale this offering. This enables us to be at the start of the discussion with the customer about their overall document management requirements and also ensures that we develop projects such that we can optimise the customer experience as well as our overall returns.

In addition to building a strong pipeline for the next 24 months, the focus of the business is to keep driving efficiency and strong execution to deliver margin expansion, whilst leveraging the benefits of our national presence to provide a lower cost base over time.

Relocation

Our Relocation division comprises Restore Harrow Green, the UK market leader in office relocation, and Restore Technology which is a market leading business in IT Lifecycle Services. IT Lifecycle Services comprise three specialist areas: 1) Recycling of IT equipment safely and securely; 2) Early life implementation of IT hardware and 3) IT Relocation – specialising in server and data centre relocation, as well as IT moves, equipment installation and deployment.

For the period the division achieved an operating profit of £2.7m (2018: £2.6m) on turnover of £25.8m (2018: £22.8m).

Restore Harrow Green – Revenue £19.7m up 12% yoy (2018: £17.6m)

Restore Harrow Green performed well in H1. Of the 12% revenue increase, approximately £1m of this increase was as a result of the full pass-through of the costs of procuring furniture for a customer project. Adjusting for this nil margin revenue, the profitability of the core business was in line with expectations. We also benefited from an initial contribution from Function Business Relocations, acquired in H2 2018.

The London market continues to perform well with revenue and contributions up. Regionally the business performed in line with expectations. We secured significant wins in the public sector and there is a strong pipeline of new opportunities across the UK. Encouragingly, we are seeing more work come through Harrow Green which requires additional services from the Group, such as shredding and IT recycling as part of customer moves.

We continue to upgrade our vehicle fleet to meet the new London ULEZ standard and we will pilot full electric vans to ensure we minimise costs and continue to invest in the business.

Restore Technology – Revenue £6.1m up 17% yoy (2018: £5.2m)

Revenue grew strongly at 17% year-on-year benefiting from the two acquisitions we made in 2018 but also steady organic growth. Costs have increased as expected following the opening of our new Bedford facility in H2 2018. This state of the art facility with substantial capacity means we have a well invested business that will be able to expand margins as revenue grows.

The market for IT lifecycle services is substantial and we continue to grow our capability to deliver early life services such as software installation, delivery logistics and asset management. Our aim is to leverage this asset management service to ensure we capture the end of life element of the asset, so as to maximise our long-term revenues. This is a fragmented market and we see substantial opportunity for Restore as an independent provider, not linked to specific hardware technology or brands. As such we can increase the channels in which we operate.

We completed one bolt-on acquisition in the first half and a smaller acquisition in July. The first acquisition, Secure IT Disposals, brings additional certification, enabling us to move into high security and higher margin services. The second acquisition expands our e-commerce platform and accesses a new revenue stream in the high margin IT spares market.

We see opportunity to expand into new channels to grow organically and in a fragmented market the opportunity to grow through acquisitions given that many customers show a preference to stay with their existing providers.

CHANGES IN ACCOUNTING POLICIES

During the period the Group has incorporated the following changes to its accounting policies:

The adoption of IFRS 16 which came into effect on 1 January 2019. As disclosed in the 2018 Annual Report the Group has used the modified retrospective approach to adopting this standard. In addition to the impact on the income statement detailed below on 1 January, the Group recognised £118.8m of right of use assets and £135.8m of lease liabilities on the statement of financial position. Further details on the adoption of IFRS 16 have been included in note 11.

With effect from 1 January 2019, share-based payment charges are no longer to be classified as adjusting items. Following the completion of the retention period under the 2013 EIP scheme, which the Board considered to be exceptional in nature, the Group has implemented a new LTIP scheme under which the first grants have been made in 2019. The Board has considered the nature of this scheme and the regular grants expected to be made under it and concluded that it is appropriate to no longer treat share-based payment charges as an adjusting item in the accounts.

The changes in accounting policies noted above have had a material impact on the Group's financial statements. Under IFRS 16 the Group is not required to restate prior periods. As a result the Board has decided for the 2019 reporting cycle it is appropriate to show adjusted performance measures. There are two adjusted performance measures:

Firstly, using consistent accounting policies. This provides year on year comparison of performance using the same accounting policies in both periods allowing the reader to discern relative trading performance.

Secondly, adjusted results under revised accounting policies. This provides the reader with the adjusted performance measures derived using accounting policies that the Group has now adopted.

A reconciliation between the statutory profit and the adjusted performance measures noted above is shown below:

Continuing operations	**Profit Before Tax £'m**	**Operating profit £'m**	**EBITDA £'m**
Statutory reported	**12.0**	**16.8**	**32.7**
Amortisation of intangible assets	4.0	4.0	-
Exceptional items	2.0	2.0	2.0
Adjusted results under revised accounting policies	**18.0**	**22.8**	**34.7**
Exclusion of rental charges on IFRS 16 leases	(9.4)	(9.4)	(9.4)
Depreciation on IFRS 16 leased assets	8.2	8.2	-
Interest charges on IFRS 16 leases	2.7	-	-
Share-based payment charge	0.6	0.6	0.6
Adjusted results under consistent accounting policies	**20.1**	**22.2**	**25.9**

EXCEPTIONAL COSTS

Exceptional costs in H1 2019 were £2.0m (2018 £4.3m). This includes £1.8m of restructuring costs and £0.2m of National Insurance on the exercise of options under the 2013 EIP scheme (2018 £2.0m of restructuring costs, £1.7m of transaction costs and £0.6m of National Insurance on the exercise of share options). The majority of the 2019 restructuring costs reflected the final elements of the TNT BS integration with only the closure of the Beckton site in Q4 2019 outstanding.

CASH FLOW

Net cash generated from operations using consistent accounting policies increased by 160% from £10.6m in H1 2018 to £27.6m in H1 2019 reflecting operating cash conversion of 115%. The increase is a strong indication of the ability of the core business to generate cash. This is particularly evident during periods when the level of corporate M&A activity is reduced and there are fewer movements in the cash flow statement as a result of exceptional costs and acquisition related working capital changes. The operating cash flow was enhanced by a £3.7m million reduction in working capital including some short-term timing differences which will unwind in H2 2019. Capital expenditure totalled £4.8m (2018: £5.2m) compared to depreciation of £3.7m (2018: £3.2m). The first six months of 2019 has seen construction commence on the extension to our site in Rainham. Net bank interest paid amounted to £1.4m (2018: £0.9m) and tax paid totalled £3.3m (2018: £2.0m). The cash impact of the payment of both the 2018 final dividend (£5.0m) and the 2019 interim dividend will be seen in H2 2019.

STATEMENT OF FINANCIAL POSITION

Net bank debt on 30 June 2019 was £95.0m (30 June 2018: £115.4m). The year on year reduction has been driven by the cash generating profits of the Group together with the lower level of acquisition spend over the most recent twelve month period, resulting in a robust financial position for the Group. The Group remains comfortable in its ability to service its financial obligations and leverage at 30 June 2019 has reduced to 1.8x adjusted EBITDA (3.2x on a lease adjusted basis) with covenants within its banking facilities remaining on pre-IFRS 16 accounting basis. The Group continued to develop and invest in its businesses and during the period we have commenced construction of an extension to our site in Rainham which will see additional Records Management capacity come on-stream in 2020. This will provide the opportunity to vacate more expensive premises in the South East in due course. Net assets at 30 June 2019 increased to £222.9m from £208.9m at 30 June 2018 using consistent accounting policies, (£210.9m under revised accounting policies).

BANK FACILITIES

The Group has well structured and efficient debt facilities in place with the current syndicate consisting of five banks. The facilities continue to November 2022 and consist of a single £160m RCF facility which gives the Group the flexibility it needs to manage debts levels depending on the level of M&A activity. In addition there is a £30m uncommitted accordion facility. These facilities provide the Group with adequate capital to continue to support its growth strategy. The banking covenants are unaffected by the adoption of IFRS 16. Total amount drawn against these facilities at 30 June 2019 was £115.3m.

DIVIDENDS

The Board has declared an interim dividend of 2.4p per share (2018: 2.0p), a 20% year-on-year increase. The interim dividend will be paid on 9 November 2019 to shareholders on the register on 4 October 2019.

OUTLOOK

Following a strong first half performance, the Board is encouraged by the long term prospects for the Group with there remaining significant opportunities to grow in the UK, both organically and through selective acquisitions.

The underlying cash generation capability of the business will lead to substantially reduced net debt this year and this solid financial position leaves Restore well positioned to capitalise on opportunities to acquire capability and add scale in all of the markets its serves as and when they arise.

The Board’s expectations for the full year remain unchanged.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Note	Unaudited six months ended 30 June 2019 £'m	Using consistent accounting policies Unaudited six months ended 30 June 2019 £'m	Using consistent accounting policies Unaudited six months ended 30 June 2018 £'m	Using consistent accounting policies Audited year ended 31 December 2018 £'m
Revenue - continuing operations	2	106.2	106.2	92.7	195.5
Cost of sales		(59.9)	(61.1)	(53.5)	(111.5)
Gross profit		46.3	45.1	39.2	84.0
Administrative expenses		(27.5)	(27.5)	(24.1)	(50.7)
Exceptional items	2	(2.0)	(2.0)	(4.3)	(8.5)
Operating profit		16.8	15.6	10.8	24.8
Finance costs		(4.8)	(2.1)	(1.6)	(3.8)
Profit before tax		12.0	13.5	9.2	21.0
Income tax charge	3	(2.3)	(2.2)	(2.1)	(2.5)
Profit and total comprehensive income for the period from continuing operations		9.7	11.3	7.1	18.5
(Loss)/profit from discontinued operations		(0.2)	(0.2)	0.1	(2.8)
Profit attributable to owners of the parent		9.5	11.1	7.2	15.7
Earnings/(loss) per share attributable to owners of the parent (pence)					
Total					
- Basic	4	7.6p	8.9p	6.2p	13.0p
- Diluted	4	7.5p	8.8p	6.0p	12.5p
Continuing Operations					
- Basic	4	7.8p	9.1p	6.1p	15.3p
- Diluted	4	7.7p	9.0p	6.0p	14.7p
Discontinued operations					
- Basic	4	(0.2p)	(0.2p)	0.1p	(2.3p)
- Diluted	4	(0.2p)	(0.2p)	0.0p	(2.2p)

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

Operating profit – continuing operations		16.8	15.6	10.8	24.8
Adjustments for:					
Amortisation of intangible assets	4	4.0	4.0	3.2	7.0
Exceptional items	4	2.0	2.0	4.3	8.5
Share-based payments charge	4	-	0.6	0.5	1.0
Adjustments		6.0	6.6	8.0	16.5
Adjusted operating profit		22.8	22.2	18.8	41.3
Depreciation of property, plant and equipment	7	11.9	3.7	3.2	6.9
Earnings before interest, taxation, depreciation, amortisation and exceptional items (EBITDA)		34.7	25.9	22.0	48.2
Profit before tax		12.0	13.5	9.2	21.0
Adjustments (as stated above)		6.0	6.6	8.0	16.5
Adjusted profit before tax		18.0	20.1	17.2	37.5

Condensed Consolidated Statement of Financial Position

At 30 June 2019

	Note	Unaudited 30 June 2019 £'m	Using consistent accounting policies: Unaudited 30 June 2019 £'m	Using consistent accounting policies: Unaudited 30 June 2018 £'m	Using consistent accounting policies: Audited 31 December 2018 £'m
ASSETS					
Non-current assets					
Intangible assets	8	260.4	260.4	258.2	261.9
Property, plant and equipment		71.7	71.7	70.2	71.1
Right of use assets	9	114.4	-	-	-
Investment		1.6	1.6	-	-
Deferred tax asset		4.6	2.6	3.5	2.5
		452.7	336.3	331.9	335.5
Current assets					
Inventories		1.2	1.2	1.8	1.1
Trade and other receivables		51.3	51.3	53.5	48.7
Cash and cash equivalents	10	20.0	20.0	15.7	11.7
		72.5	72.5	71.0	61.5
Assets held directly for sale		-	-	-	1.8
Total assets		525.2	408.8	402.9	398.8
LIABILITIES					
Current liabilities					
Trade and other payables		(46.5)	(46.5)	(41.5)	(33.3)
Financial liabilities – borrowings	10	(0.7)	(0.7)	-	(0.8)
Financial liabilities – lease liabilities	11	(15.7)	-	-	-
Other financial liabilities		(0.2)	(0.2)	(0.1)	(0.2)
Current tax liabilities		(1.9)	(1.9)	(1.0)	(2.4)
Provisions		(0.8)	(0.8)	(1.2)	(0.9)
		(65.8)	(50.1)	(43.8)	(37.6)
Liabilities associated with assets held for sale		-	-	-	(0.2)
Non-current liabilities					
Financial liabilities – borrowings	10	(114.3)	(114.3)	(131.1)	(122.2)
Financial liabilities – lease liabilities	11	(116.8)	-	-	-
Other long term liabilities		-	-	(0.1)	-
Other financial liabilities		(0.2)	(0.2)	(0.2)	(0.1)
Deferred tax liabilities		(17.2)	(17.2)	(13.4)	(17.6)
Provisions		-	(4.1)	(5.4)	(5.1)
		(248.5)	(135.8)	(150.2)	(145.0)
Total liabilities		(314.3)	(185.9)	(194.0)	(182.8)
Net assets		210.9	222.9	208.9	216.0
EQUITY					
Share capital		6.2	6.2	6.2	6.2
Share premium account		150.3	150.3	150.3	150.3
Other reserves		4.6	4.6	2.8	3.8
Retained earnings		49.8	61.8	49.6	55.7
Equity attributable to owners of parent		210.9	222.9	208.9	216.0

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	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 2018	5.6	100.9	3.2	46.2	155.9
Profit for the period	-	-	-	7.2	7.2
Total comprehensive income for the period	-	-	-	7.2	7.2
Transactions with owners					
Issue of shares in the period	0.6	51.0	-	-	51.6
Issue costs	-	(1.6)	-	-	(1.6)
Dividends	-	-	-	(4.1)	(4.1)
Transfers	-	-	(0.3)	0.3	-
Share-based payments charge	-	-	0.5	-	0.5
Deferred tax on share-based payments	-	-	(0.6)	-	(0.6)
Balance at 30 June 2018 (unaudited)	6.2	150.3	2.8	49.6	208.9
Balance at 1 July 2018	6.2	150.3	2.8	49.6	208.9
Profit for the period	-	-	-	8.5	8.5
Total comprehensive income for the period	-	-	-	8.5	8.5
Transactions with owners					
Dividends	-	-	-	(2.5)	(2.5)
Transfers	-	-	(0.1)	0.1	-
Share-based payments charge	-	-	0.5	-	0.5
Deferred tax on share-based payments	-	-	0.6	-	0.6
Balance at 31 December 2018 (audited)	6.2	150.3	3.8	55.7	216.0
Change in accounting policy (note 11)	-	-	-	(10.4)	(10.4)
Restated total equity at 1 January 2019	6.2	150.3	3.8	45.3	205.6
Profit for the period	-	-	-	9.5	9.5
Total comprehensive income for the period	-	-	-	9.5	9.5
Transactions with owners					
Dividends	-	-	-	(5.0)	(5.0)
Share-based payments charge	-	-	0.6	-	0.6
Deferred tax on share-based payments	-	-	0.2	-	0.2
Balance at 30 June 2019 (unaudited)	6.2	150.3	4.6	49.8	210.9

Using consistent accounting policies

Balance at 31 December 2018 (audited)	6.2	150.3	3.8	55.7	216.0
Profit for the period	-	-	-	11.1	11.1
Total comprehensive income for the period	-	-	-	11.1	11.1
Transactions with owners					
Dividends	-	-	-	(5.0)	(5.0)
Share-based payments charge	-	-	0.6	-	0.6
Deferred tax on share-based payments	-	-	0.2	-	0.2
Balance at 30 June 2019 (unaudited)	6.2	150.3	4.6	61.8	222.9

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Note	Unaudited six months ended 30 June 2019 £'m	Using consistent accounting policies: Unaudited six months ended 30 June 2019 £'m	Using consistent accounting policies: Unaudited six months ended 30 June 2018 £'m	Using consistent accounting policies: Audited year ended 31 December 2018 £'m
Net cash generated from operations	7	37.6	27.6	10.6	32.4
Net finance costs		(4.2)	(1.4)	(0.9)	(3.6)
Income taxes paid		(3.3)	(3.3)	(2.0)	(3.2)
Net cash generated from operating activities		30.1	22.9	7.7	25.6
Cash flows from investing activities					
Purchase of property, plant and equipment and applications software		(4.8)	(4.8)	(5.2)	(10.1)
Purchase of subsidiary, net of cash acquired	6	(1.9)	(1.9)	(1.4)	(4.0)
Purchase of trade and assets		-	-	(88.3)	(88.5)
Proceeds from sale of property, plant and equipment		-	-	-	0.9
Cash flows used in investing activities		(6.7)	(6.7)	(94.9)	(101.7)
Cash flows from financing activities					
Net proceeds from share issues		-	-	50.0	50.0
Dividends paid		-	-	-	(6.6)
Repayment of bank borrowings		-	-	(2.3)	(2.3)
Repayment of revolving credit facility		(8.0)	(8.0)	1.0	(8.0)
New bank loans raised		-	-	44.0	44.0
Principal element of lease payments		(7.3)	(0.1)	(0.1)	(0.1)
Net cash (used in)/generated from financing activities		(15.3)	(8.1)	92.6	77.0
Net increase in cash and cash equivalents		8.1	8.1	5.4	0.9
Cash and cash equivalents at start of period		11.2	11.2	10.3	10.3
Cash and cash equivalents at the end of period	10	19.3	19.3	15.7	11.2
Cash and cash equivalents shown above comprise:					
Cash at bank		20.0	20.0	15.7	11.7
Bank overdraft		(0.7)	(0.7)	-	(0.8)
Assets held as classified for sale	2	-	-	-	0.3
	10	19.3	19.3	15.7	11.2

Notes to the Consolidated Interim report
For the six months ended 30 June 2019

1 Basis of Preparation

The half year report has been prepared in accordance with IAS 34, Interim Financial Reporting, adopting accounting policies that are consistent with those of the previous financial year and corresponding half year reporting period, except for the adoption of new and amended standards. The Group has changed its accounting policy and made retrospective adjustments as a result of adopting IFRS 16 Leases.

The impact of the adoption of the leasing standard and new accounting policies are disclosed in note 11 below.

2 Segmental Analysis

The Group is organised into two main operating segments, Document Management and Relocation and incurs Head Office costs. Services per segment operate as described in the business review. 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	Unaudited 30 June 2019 £'m	Using consistent accounting policies Unaudited 30 June 2019 £'m	Unaudited 30 June 2018 £'m	Audited 31 December 2018 £'m
Restore Records Management	47.8	47.8	38.8	86.5
Restore Datashred	21.0	21.0	20.8	41.8
Restore Digital	11.6	11.6	10.3	19.3
Document Management division	80.4	80.4	69.9	147.6
Restore Harrow Green	19.7	19.7	17.6	37.6
Restore Technology	6.1	6.1	5.2	10.3
Relocation division	25.8	25.8	22.8	47.9
Total revenue	106.2	106.2	92.7	195.5

Segmental information

	Document Management £'m	Relocation £'m	Head Office £'m	Unaudited 30 June 2019 Total £'m
Segment assets	447.9	74.6	2.7	525.2
Segment liabilities	151.6	29.3	314.3	314.3
Capital expenditure	4.5	0.1	0.2	4.8
Depreciation and amortisation	14.3	1.6	-	15.9

Using consistent accounting policies

				Unaudited 30 June 2019
Segment assets	346.4	59.7	2.7	408.8
Segment liabilities	36.4	16.2	133.3	185.9
Capital expenditure	4.5	0.1	0.2	4.8
Depreciation and amortisation	7.4	0.3	-	7.7

				Unaudited 30 June 2018
Segment assets	348.6	48.5	5.8	402.9
Segment liabilities	38.6	11.6	143.8	194.0
Capital expenditure	4.7	0.5	-	5.2
Depreciation and amortisation	6.0	0.4	-	6.4

				Audited 31 December 2018
Segment assets	335.1	61.2	2.5	398.8
Segment liabilities	41.6	12.4	128.8	182.8
Capital expenditure	8.8	1.1	0.2	10.1
Depreciation and amortisation	13.2	0.7	-	13.9

Discontinued operations

On 25 February 2019, the Company sold ITP Group Holdings, its printer cartridge recycling business in exchange for a 40% stake in Ink and Toner Recycling Limited and the results have been shown as a discontinued operation. The Group is represented on Ink and Toner's board and accounts for the investment as a minority interest.

Operating activities used £'nil (2018: £'nil/£0.3m) of cash in the period/year. There were no cash flows from investing or financing activities.

		Using consistent accounting policies		
	Unaudited 30 June 2019	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 31 December 2018
Revenue	-	-	2.4	4.2
Operating (profit)/loss	-	-	(0.1)	0.3
Impairment and amortisation of intangible assets	-	-	-	2.5
(Profit)/loss before tax	-	-	(0.1)	2.8
Tax charge	-	-	-	-
Loss/(profit) for the year from discontinued operations	0.2	0.2	(0.1)	2.8

At 31 December 2018, the assets and liabilities of the business were presented as held for sale.

Assets classified as held for sale	**£'m**
Property, plant and equipment	0.1
Other current assets	1.4
Cash	0.3
	1.8
Liabilities classified as held for sale	
Trade and other payables	0.2

Exceptional items

For the six months ended 30 June 2019, exceptional costs were £2.0m (including restructuring costs of £1.8m and £0.2m of other exceptional costs) (2018: exceptional costs were £4.3m including restructuring costs in of £2.0m, £1.7m of transaction costs, £0.6m of National Insurance on the exercise of share options). In the year ended 31 December 2018, £8.5m of exceptional costs were incurred (acquisition transaction costs, £2.4m, restructuring and redundancy costs £4.6m, other £1.5m).

3 Taxation

The underlying tax charge is based on the expected effective tax rate for the full year to 31 December 2019 of 19.6%. It is anticipated that the tax charge in the current period will be £2.3m.

4 Earnings per ordinary share

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

		Using consistent accounting policies		
	Unaudited six months ended 30 June 2019	Unaudited six months ended 30 June 2019	Unaudited six months ended 30 June 2018	Audited year ended 31 December 2018
Weighted average number of shares in issue	123,979,321	123,979,321	116,692,682	120,367,778
Total profit for the period	£9.5m	£11.1m	£7.2m	£15.7m
Total basic earnings per ordinary share	7.6p	8.9p	6.2p	13.0p
Weighted average number of shares in issue	123,979,321	123,979,321	116,692,682	120,367,778
Share options	2,274,096	2,274,096	2,467,253	5,351,055
Weighted average fully diluted number of shares in issue	126,253,417	126,253,417	119,159,935	125,718,833
Total fully diluted earnings per share	7.5p	8.8p	6.0p	12.5p
Continuing profit for the period	£9.7m	£11.3m	£7.1m	£18.5m
Continuing basic earnings per share	7.8p	9.1p	6.1p	15.3p
Continuing fully diluted earnings per share	7.7p	9.0p	6.0p	14.7p
Discontinued (loss)/profit for the period	(£0.2m)	(£0.2m)	£0.1m	(£2.8m)
Discontinued basic (loss)/profit per share	(0.2p)	(0.2p)	0.1p	(2.3p)
Discontinued fully diluted loss per share	(0.2p)	(0.2p)	0.0p	(2.2p)

Adjusted earnings per share

The Directors believe that 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:

		Using consistent accounting policies		
	Unaudited six months ended 30 June 2019 £'m	Unaudited six months ended 30 June 2019 £'m	Unaudited six months ended 30 June 2018 £'m	Audited year ended 31 December 2018 £'m
Continuing profit before tax	12.0	13.5	9.2	21.0
Adjustments:				
Amortisation of intangible assets	4.0	4.0	3.2	7.0
Exceptional items	2.0	2.0	4.3	8.5
Share-based payments charge	-	0.6	0.5	1.0
Adjusted continuing profit for the period	18.0	20.1	17.2	37.5

The additional adjusted earnings per share, based on weighted average number of shares in issue during the period, 124.0m (2018: 116.7m, 120.4m) is calculated below:

		Using consistent accounting policies		
	Unaudited Six months ended 30 June 2019	Unaudited Six months ended 30 June 2019	Unaudited Six months ended 30 June 2018	Audited Year ended 31 December 2018
Adjusted profit before tax (£'m)	18.0	20.1	17.2	37.5
Tax at 19.0% (£'m)	(3.4)	(3.8)	(3.3)	(7.1)
Adjusted profit after tax (£'m)	14.6	16.3	13.9	30.4
Adjusted basic earnings per share	11.8p	13.1p	11.9p	25.2p
Adjusted fully diluted earnings per share	11.6p	12.9p	11.7p	24.2p

5 Dividends

In respect of the current period, the Directors propose an interim dividend of 2.4p per share (2018: 2.0p) to be paid to shareholders on 8 November 2019. The proposed interim dividend is payable to all shareholders on the Register of Members on 4 October 2019. The estimated dividend to be paid is £3.0m (2018: £2.6m).

6 Business Combinations

On 5 June 2019, the Group completed the acquisition of Secure IT Disposal Limited, an IT Lifecycle asset management company, for cash consideration of £2.1m. Deferred consideration of £0.4m may be paid by 31 December 2019. The Group is still in the process of establishing the fair value of the assets and liabilities acquired, the provisional customer relationships were £1.3m.

7 Cash inflow from operations

		Using consistent accounting policies		
	Unaudited six months ended 30 June 2019 £'m	Unaudited six months ended 30 June 2019 £'m	Unaudited six months ended 30 June 2018 £'m	Audited year ended 31 December 2018 £'m
Continuing operations				
Profit before tax	12.0	13.5	9.3	21.0
Depreciation of property, plant and equipment	11.9	3.7	3.2	6.9
Amortisation of intangible assets	4.0	4.0	3.2	7.0
Net finance costs	4.8	2.1	1.6	3.8
Share-based payments charge	0.6	0.6	0.5	1.0
Gain on disposal of plant, property and equipment	-	-	-	(0.2)
Decrease in inventories	0.1	0.1	0.2	-
(Increase) in trade and other receivables	(1.7)	(1.7)	(9.2)	(4.7)
Increase/(decrease) in trade and other payables	5.9	5.3	1.8	(2.4)
Net cash generated from continuing operations	37.6	27.6	10.6	32.4

8 Intangible assets

	Goodwill £'m	Customer relationships £'m	Trade names £'m	Applications software & IT £'m	Total £'m
Cost					
1 January 2018	135.8	78.2	4.3	3.8	222.1
Arising on acquisition of subsidiaries	0.6	0.7	-	-	1.3
Arising on acquisition of trade	21.7	43.9	-	-	65.6
Additions - external	-	-	-	0.6	0.6
30 June 2018	158.1	122.8	4.3	4.4	289.6
1 July 2018	158.1	122.8	4.3	4.4	289.6
Arising on acquisition of subsidiaries	6.6	2.8	-	-	9.4
Transfer to assets held for sale	(1.3)	(1.6)	-	-	(2.9)
Additions - external	-	-	-	0.6	0.6
31 December 2018	163.4	124.0	4.3	5.0	296.7
1 January 2019	163.4	124.0	4.3	5.0	296.7
Arising on acquisition of subsidiaries	0.7	1.3	-	-	2.0
Additions - external	-	-	-	0.5	0.5
30 June 2019	164.1	125.3	4.3	5.5	299.2
Accumulated amortisation and impairment					
1 January 2018	10.6	13.8	1.6	2.2	28.2
Charge for the period	-	2.7	0.1	0.4	3.2
30 June 2018	10.6	16.5	1.7	2.6	31.4
1 July 2018	10.6	16.5	1.7	2.6	31.4
Charge for the period	-	3.3	0.2	0.3	3.8
Transfer to assets held for sale	-	(0.4)	-	-	(0.4)
31 December 2018	10.6	19.4	1.9	2.9	34.8
1 January 2019	10.6	19.4	1.9	2.9	34.8
Charge for the period	-	3.5	0.1	0.4	4.0
30 June 2019	10.6	22.9	2.0	3.3	38.8
Carrying amount					
30 June 2019 – Unaudited	153.5	102.4	2.3	2.2	260.4
31 December 2018 - Audited	152.8	104.6	2.4	2.1	261.9
30 June 2018 - Unaudited	147.5	106.3	2.6	1.8	258.2

9 Right of use assets

	Leasehold Property £'m	Office equipment, fixtures and fittings £'m	Motor Vehicles £'m	Total £'m
Cost				
31 December 2018	-	-	-	-
Change in accounting policy (note 11)	108.7	0.7	9.4	118.8
1 January 2019	108.7	0.7	9.4	118.8
Additions	1.8	0.1	1.9	3.8
30 June 2019	110.5	0.8	11.3	122.6
Depreciation				
31 December 2018	-	-	-	-
Change in accounting policy (note 11)	-	-	-	-
1 January 2019	-	-	-	-
Charge for the period	6.4	0.3	1.5	8.2
30 June 2019	6.4	0.3	1.5	8.2
Net book value				
30 June 2019 – Unaudited	104.1	0.5	9.8	114.4
1 January 2019 – Unaudited	108.7	0.7	9.4	118.8
31 December 2018 - Audited	-	-	-	-

10 Financial liabilities - borrowings

		Using consistent accounting policies		
	Unaudited 30 June 2019 £'m	Unaudited 30 June 2019 £'m	Unaudited 30 June 2018 £'m	Audited 31 December 2018 £'m
Current				
Bank loans and overdrafts	0.7	0.7	-	0.8
Deferred financing costs	-	-	-	-
	0.7	0.7	-	0.8
Non-current				
Bank loans – secured	115.3	115.3	132.3	123.3
Deferred financing costs	(1.0)	(1.0)	(1.2)	(1.1)
	114.3	114.3	131.1	122.2

Analysis of net debt

Cash at bank and in hand	20.0	20.0	15.7	11.7
Bank loans due within one year	(0.7)	(0.7)	-	(0.8)
Bank loans due after one year	(114.3)	(114.3)	(131.1)	(122.2)
	(95.0)	(95.0)	(115.4)	(111.3)

11 Changes in accounting policies

(a) Adjustments recognised on the adoption of IFRS 16

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in (b) below.

The Group has adopted IFRS 16 from 1 January 2019, and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet at 1 January 2019.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted based on the lessee's incremental borrowing rate applied to the lease liabilities on as of 1 January 2019. The weighted average discount rate applied was 4.2%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the 1 January 2019. The measurement principles of IFRS 16 are only applied after that date.

A reconciliation of the lease liability recognised at 1 January 2019 to operating lease commitments at 31 December 2018 is shown below.

	£'m
IAS17 operating lease commitments	159.0
Add: adjustments related to variable lease payments based on an index or rate	2.3
Less: adjustments due to disposal of subsidiary	(0.4)
Less: contracts to which the short-term leases exemption has been applied	(0.9)
Add: service/non-lease components of lease contracts	8.8
Subtotal gross IFRS 16 liabilities recognised at 31 December 2018	168.8
Discounted at a weighted average discount rate of 4.2%	135.8
Add: finance lease liabilities recognised at 31 December 2018	0.3
IFRS 16 lease liability as at 1 January 2019	136.1
Of which are:	
Current lease liabilities	14.3
Non-current lease liabilities	121.8
	136.1

The associated right of use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. Onerous lease provisions of £4.6m at 31 December 2018 have been offset against the right of use asset at the date of initial application. The recognised right of use assets are shown in note 9.

At 30 June 2019, the IFRS 16 lease liabilities were:

	£'m
Current lease liabilities	15.7
Non-current lease liabilities	116.8
	132.5

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:
- right of use assets – increase by £118.8m
- deferred tax assets – increase by £2.0m
- lease liabilities – increase by £135.8m

The net impact on retained earnings on 1 January 2019 was a decrease of £10.4m.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of single discount rate structures to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases

(b) The Group's leasing activities and how these are accounted for

The Group leases various properties, plant and equipment and vehicles. Rental contracts are typically made for fixed periods and may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.
Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined interest rate structures based on the lessee's incremental borrowing rate have been used, to reflect the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right of use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less and low-value assets comprise IT-equipment and small items of office furniture.

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

12 Post balance sheet events

On 2 July 2019, the Group acquired the trade and assets of Team Recycling Limited, an IT Lifecycle asset management business for cash consideration of £30,000. The Group is in the process of establishing the fair value of the assets acquired.

ENDS