16 March 2022

Restore plc

(“Restore” or the “Group” or “Company”)

Full Year 2021 Audited Results – Exceeding expectations

Strategic M&A and organic growth driving Restore

Restore plc (AIM: RST), the UK's leading provider of digital and information management and secure lifecycle services, is pleased to provide its audited results for the year ended 31 December 2021.

Restore reached a record financial performance in 2021 through the successful delivery of its strategy centred on strong organic growth, margin expansion and eight acquisitions across four business units.

SUMMARY OF RESULTS

Continuing operations	**2021**	**2020**	**Change**
Revenue	£234.3m	£182.7m	+28%
Statutory profit before tax	£23.0m	£4.0m	+475%
Adjusted profit before tax[1]	£38.1m	£23.2m	+64%
EBITDA[2]	£74.2m	£57.4m	+29%
Net debt	£100.8m	£66.1m	(52%)
Adjusted earnings per share[3]	23.2p	15.0p	+55%
Earnings per share	8.7p	0.2p	+4,250%
Dividend per share	7.2p	-	(n/a)

BUSINESS AND STRATEGIC HIGHLIGHTS

- Good performance across all business units contributing to growth, with strong underlying organic growth and eight successful acquisitions driving increased scale and capability across the Group
- Exit run rate revenue of £260 million based on Q4, 21% higher than pre pandemic levels
- Restore Digital’s transformative acquisition of EDM in April 2021 doubles exit run rate revenue to £46 million, enhances capability (Cloud, BPO, Software) and delivers scale margin benefit
- Restore Technology completed three strategic acquisitions doubling exit run rate revenue to £34 million with strong demand and margin momentum building through the year
- Restore Records Management gained further market share with strong organic revenue growth of 5.6%, alongside acquisition revenue growth of 5.9% and COVID-19 repair of 4.2%
    - Positive net box growth momentum in line with expectations at 1.3% (2020: 0.9%)
    - Property consolidation strategy progressed with new high density storage facilities in Heywood and Sittingbourne
- Restore Datashred continued steady recovery to 84% of pre-pandemic activity levels by Q4, with significant progress in underlying productivity although profit behind 2019 levels
- Restore Harrow Green activity levels strong throughout the UK with a new site in Cambridge addressing the life sciences sector and delivering record profitability
- Development of significant pipeline of further acquisition opportunities across the Group to support the ambitious growth plans
- The Group announced its new ESG strategy, ‘Restoring our World’ with ambitious targets including our Net Zero commitment by 2035

FINANCIAL HIGHLIGHTS

- Revenue up +28% to £234.3 million (2020: £182.7 million) driven by:
  - Organic growth +5.0%
  - COVID19 repair +5.6%
  - In year acquisitions +16.4% plus full year effect of prior year acquisitions +1.2%
- Adjusted profit before taxation up +64% to £38.1 million (2020: £23.2 million) and operating margin increasing from 18.5% in H1 to 20.7% in H2
- Statutory profit before tax up 475% to £23.0 million
- Strategic acquisitions successfully completed totalling £86.3 million during 2021, delivering a post synergy ROIC[4] of 13.0%
- Strong Cash conversion[5] at 85% with closing net debt at £100.8 million and leverage[6] of 1.8x
- New increased debt facility agreed post year end at enhanced terms, providing further capacity for continued investment
- Proposed final dividend of 4.7 pence, taking total dividend for 2021 to 7.2 pence (2020: nil pence)

CURRENT TRADING AND OUTLOOK

2021 saw delivery of record revenues and profit demonstrating strong strategic progress and the resilience of our revenue and markets despite a challenging economic backdrop.

The new financial year has started well, in line with our expectations, and we are expecting further financial and strategic progress in 2022, which will benefit from:

- Further underlying organic growth, market share gains and new customer wins from a significant commercial pipeline;
- Ongoing cost reduction and productivity programmes which, together with effective pricing discussions, should help mitigate further inflationary cost pressures;
- The contribution from accretive acquisitions completed in 2021, with additional synergies realised during 2022; and
- A substantial and high-quality strategic acquisition pipeline with several transactions already in exclusivity or with verbal commitments and over 10 deals strongly progressed with more in the pipeline.

Strong activity and momentum has continued into the new financial year with underlying demand for our mission critical services continuing to build and we will continue to further extend our capability and offering in line with the long term structural growth trends that underpin our markets. Against this backdrop, we have an ambitious but achievable medium-term target to grow annual revenue to £450-500 million and double EBITDA to more than £150 million (2021: £74.2 million).

Charles Bligh, CEO, commenting on the results and outlook, said:

“Our strong organic growth and eight successful strategic acquisitions have delivered an outstanding performance with record results for 2021. The new businesses we have acquired are improving margins and there is no doubt the quality of Restore’s services is reflected in our sector leading positions in all of our markets.

With excellent sales momentum, activity levels further increasing across all our markets and a well progressed pipeline of acquisitions, I am confident our success will build further in 2022 and beyond.”

1) Adjusted profit before tax is stated before amortisation, impairment, and exceptional items and after the effects of IFRS 16
2) EBITDA is earnings before interest, taxation, depreciation, amortisation, impairment, and exceptional items
3) Adjusted earnings per share is calculated using adjusted profit before tax and a standard tax rate of 19%
4) Calculated using pre-IFRS16 EBITDA adjusted for management’s expectations of post-acquisition synergies, and consideration net of cash acquired plus exceptional costs
5) Calculated using net cash generated from operating activities after capital expenditure and lease payments, but before exceptional items, divided by adjusted operating profit with a standard tax rate of 19%, with an amendment to exclude the impact of the VAT deferral from 2020 to 2021
6) Calculated using pre-IFRS16 EBITDA adjusted for share-based payments, including a pro-forma adjustment for acquisitions in line with financial covenants

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Chair's Introduction

I am pleased to report that Restore achieved an excellent all-round performance for 2021 with significant financial growth, substantial strategic progress made and further enhancement on the quality of the business overall.

The business is performing well, and I was delighted that the Board invited me to take on the role of Chair from Martin Towers on his retirement from the Board during October 2021. I would like to thank Martin on behalf of the Board and shareholders for his significant contribution to the substantial growth of the business during his tenure.

As I look ahead, I am highly confident in Restore's prospects and that our team will continue to transform and evolve the Group and the critical services it provides to the organisations we serve.

2021 has been an important year for the Group with strategic development and expansion of the Technology and Digital businesses, continued growth in Records Management, solid performance in Harrow Green and stabilisation in Datashred as we exit the pandemic. With a clear strategy for growth, set out at our Capital Markets Day event in November 2021, shareholders should be assured that the Group is in good health and well positioned for future expansion.

Over the last two years, the pandemic has required an extraordinary response from the nation and the team at Restore. Our people have shown tremendous resilience and relentless commitment to our customers and to one another, maintaining full service throughout the disruption of the past two years. I feel incredibly proud of the positive response from our front-line teams, the supporting functions, and our leadership group as they navigated the uncertain events of the past two years. I would like to thank them for their outstanding contribution on behalf of the Board, shareholders, and our customers.

2021 Performance

Restore has delivered strong revenue and profit growth in 2021 with a 28% increase in revenues to £234.3 million and a 64% increase in adjusted profit before tax to £38.1 million compared with 2020. This growth is from the restoration of revenues impacted in 2020 by extensive disruption, through acquisition and from underlying organic revenue growth. With a strong exit rate from 2021 and an annualised £260 million exit run rate revenue, the business is 21% larger when compared to the pre-pandemic revenue of £215.6 million in 2019.

Whilst 2021 was subject to further restrictions, particularly in the first quarter and at the end of the year with the emergence of the Omicron variant, the underlying business environment for Restore has been more predictable with the embedding of adapted working patterns across the organisations we serve. As a result of this high confidence in the performance of the business, the Board approved investment in eight acquisitions during the course of the year. These acquisitions continued to build the Records Management business and have transformed the Digital and Technology businesses, more than doubling their scale and significantly enhancing our product capability.

To support this investment, the Group raised £40 million through an equity raise in May and the Board thanks shareholders for their support in this over-subscribed offer.

As a result of the improved profits of the Group and reflecting the increase in shares issued, adjusted earnings per share increased to 23.2 pence for the year, an increase of 55% compared to 15.0 pence achieved for 2020.

The Group continues to demonstrate its strong cash generative nature and despite the substantial level of investments during 2021, the closing leverage of 1.8x EBITDA provides plenty of capacity to continue to invest in 2022.

Strategic progress

In addition to the strong financial performance for the year, Restore has made strategic progress across a number of commercial and operational areas adding further depth and capability to the Group.

Records Management continues to grow in scale and is providing an excellent platform for extension of the Group's digital and information management services. Over the course of the last year the business has won, and is executing, a number of substantial client service contracts supporting the increasing requirement to extract value from existing and newly created data in both hard copy and digital formats.

The investment in Restore Digital, and its subsequent expansion of scale and product lines, is a significant step in the development of the business. It is well on its evolutionary journey from high volume processor of scanning and digitisation to become a value-add digital services partner, focussed on business process outsourcing, digital storage, digital data management and enhanced software capabilities.

The Board and I are also pleased to report on the successful steps in executing on the substantial opportunity Charles and the team have previously presented in relation to the IT and Technology asset lifecycle support sector. Restore Technology reached number 1 status in this sector during the year with 6% market share and the team are successfully driving a fast growth acquisition and organic growth strategy.

Management have also been very active in deepening the quality of the business. In addition to the continued digitisation of the business and internal operational enhancements, the Board was pleased to formally launch the Group's Environmental, Social and Governance ('ESG') strategy in November 2021.

The 'Restoring Our World' strategy can be found on the Group's recently updated website at www.restoreplc.com. Our management team and the Board is fully committed to the balanced objectives set out in the strategy and in achieving the headline target to become a Net Zero organisation by 2035.

The Board received an unsolicited, non-binding and equity-based offer from Marlowe plc during the year. Whilst the Board took time to seek external guidance and invested significant resources to properly assess the offer, the bid was unanimously rejected by the Board. We considered that it fundamentally undervalued the Group, lacked strategic rationale or logic and the financial consideration proposed, in the form of Marlowe shares, would have been a very poor outcome for shareholders. The Board would like to thank our shareholders for their overwhelming support of the Board in their rejection of this offer.

Health and Safety

During the last quarter of the year, the Board engaged a third party to perform an independent audit of the Group's health and safety environment and to assess progress since the last external audit performed in 2019.

The audit highlighted significant progress in Restore's Health and Safety operating framework and recognised the high priority given to Health and Safety matters across the Group's management. The report also highlighted additional areas to focus on, in particular more advanced skills training and reporting, and these will be taken forward and actioned.

In addition to the development of the Health and Safety structure I would extend my gratitude to the health and safety and management team for their excellent navigation of the COVID-19 period and for guiding us in the constant evolution of our safe working practices through the whole period.

Finally, I would like to mention the investment we have made in our deep-storage mine facilities which I visited with the Board in October. Over the course of the last two years the Group has made significant investment into enhancing the environmental quality of our deep-storage facilities and in 2021 successfully installed extensive networking within the mines, creating a safer and more productive work environment.

Dividends

Your Board is recommending a final dividend of 4.7 pence, payable on 8 July 2022. This brings the total dividend for the year to 7.2 pence (2020: nil pence due to pandemic risk mitigation).

The restoration of the dividend during 2021 is consistent with the Board's high degree of confidence in the business and a return to its previous progressive dividend policy.

CEO's Statement

I am delighted to report that 2021 was a transformational year for the company with record adjusted profit before tax of £38.1 million (+64% vs 2020 and +7% vs 2019) and a significant expansion of the services we provide to customers which will continue in 2022 as we make progress on our ambitious growth strategy. We completed eight acquisitions in the year across Records Management, Digital, Datashred and Technology which has increased both the scale and the capability of these business units in what continue to be high growth, mission critical services.

I reported last year that the business showed great resilience in the face of the pandemic and that during the second half of 2020 the business rebounded, quickly regaining momentum after the initial impact of the pandemic in Q2. This recovery continued to build through 2021, with both underlying growth and bounce back effects, despite the significant lockdowns that were imposed in Q1 of 2021. The strong bounce back beyond pre-pandemic levels demonstrates the resilience of the business and the critical nature of the services we provide to our customers despite any social or business restrictions posed by COVID-19.

Health and Safety (H&S) is the number one priority in the Group for our employees, suppliers and customers. I am delighted to report improving results in all business units throughout the year. With the increasing activity in the business a key focus was around new employees and their correct H&S induction. We increased the number of surveillance audits with encouraging results because our focus is to continue to improve our operations and to invest strongly in H&S, training, education and drive a culture of H&S first in all that we do.

During the year all business units started to deliver on investments in technology and organisational changes which will yield benefits in 2022 and beyond. These changes and further investments in 2022 will transform the digital experience for customers and also create significant productivity benefits. In most of the business units our portals and customer digital experience are very good, but our goal is to have an industry leading experience from initial engagement, through the sales process to the day-to-day operational management.

With the increasing activity across the Group, we end the year with record number of employees in the business to further expand in 2022. The end of year employee numbers are 2,760 permanent employees with a further 300-400 agency workers which is overall an increase of over 25% on pre-pandemic levels. I have been particularly delighted with the improvement in the leadership talent across the group as we invest in leadership cognisant of delivering improving profit in the year but also investing heavily in talent for the next stage in the scaling of the business. In the top 62 leaders over 75% are new in role or new to the company through hiring or acquisition of businesses and in the Executive Committee there have been two new appointments in the year.

We made good progress on our high growth strategy and we have further announced ambitious but achievable medium-term goals to increase our exit run rate revenues from c.£260 million towards £450- 500 million with EBITDA doubling to over £150 million. This will deliver significant shareholder value creation.

Results

I am delighted to report record revenues of £234.3 million which is 28% up on 2020 and 9% above pre-pandemic levels. Our profit performance is strong with a record adjusted profit before tax of £38.1 million, strong operating margin performance across the businesses and EBITDA of £74.2 million for the year (+29%). We continue to show a disciplined approach to cash management with debtor days and aged debt in line with our expectation, net debt finishing the year at £100.8 million and a leverage ratio of 1.8x. From the Group's continued high cash generation and with increased capacity from our newly expanded bank facility, the Restore Group has substantial capacity for further investment growth.

As well as driving earnings accretive acquisitions our disciplined approach demands a strong Return On Invested Capital (ROIC) from our investments. With £86.3 million invested in 2021, delivering a post-synergy ROIC of 13.0%, the returns from our investments are proving to be very strong and well above our cost of finance. As the business expands and matures, the scale benefit of the investments we are making will substantially enhance the ROIC from the business.

Organic revenue growth continues to compound and was 5.0% for 2021, which is a very good result considering 3-4 months of the year were significantly disrupted with lockdowns delaying sales decisions. We can see momentum in each of our sectors and strengthening levels of cross selling and up-selling opportunity across the Group with over 1,200 referrals from one business unit to another.

We continue our focus on cost management and productivity across the teams. I am delighted the business units have continued to improve operational performance metrics while delivering productivity and cost management initiatives.

The strong financial performance for 2021, and our confidence to invest £86.3 million in acquisitions during the year, demonstrates the team's successful progress in delivering our strategy and confirms our strong conviction in our potential for substantial growth in the future.

Customers and our Markets

The business has transformed over the last 3 years and this change is reflected in the divisional structure and our evolution from Document Management and Relocation to Digital and Information Management and Secure Lifecycle Services.

We currently participate in markets with total size of at least £1.9 billion with an overall market share of c.13%. We have either a number one or number two position in each market and even with these leading positions we have ample room to grow to a 25%+ share and towards our initial goal of £450-500 million in revenues. The market forces which dominate the rate of change and growth are 1) Digitisation, 2) Security of Data, 3) Flexible working, and 4) Sustainable working. The pandemic is likely to further accelerate momentum to these changes which as we have said over the last three years (even before the pandemic) are very good trends for the growth of Restore. We have embraced and are driving these trends and actively evolving our offerings and creating new ones with large public and private sector organisations to provide commercial benefit, manage risk, address their ESG obligation and expand their productivity.

One other key change in the markets we could see in the medium term as a result of COVID-19 is customer evaluation of the providers with whom they deal.

We prioritised customer responsiveness and experience during the last 18 months and in a number of cases invested significant extra effort to service those customers. We have also worked hard to moderate price rises with cost management; the end result being extremely favourable customer feedback and low customer churn levels. The same cannot be said for our competitors in various business units who either closed offices/service provision or responded with, in our view aggressive pricing tactics.

In the first month of the pandemic, we said very clearly we would prioritise 1) Health & Safety, 2) customer experience, and 3) the bounce back of the business. Those decisions taken early in 2020 are very evident in the performance of the business in 2021. I firmly believe that with our very strong customer experience, value of our services, investment in continual transformation and investment in new services we will be the net beneficiary of customers looking to establish new long-term relationships with our business.

ESG

We announced our new ESG Strategy in Q4 2021 called 'Restoring our World'. We have taken the time to understand what matters to all stakeholders in the business when developing this strategy from shareholders, employees, customers, suppliers, and the wider community. We have also worked hard to ensure we have specific targets, actions, and timing for this first strategic plan with the aim of delivering on these and also looking to improve the timing and impact. At Restore we pride ourselves on being extremely customer centric and pragmatic with the way we run our business for the long term but also brave in transforming the business and using the strong financial position of the company to deliver against the plans.

We have set out a bold target to become a Net Zero organisation by 2035 which requires real and sustained focus along with technology based investments and we are endeavouring to work towards even more ambitious achievements. We are also working on the next version of the strategy to include more specific plans on Waste, Scope 3 emissions and other areas that matter to our stakeholders based on feedback from the inaugural strategy and plans we have announced.

I can say with absolute certainty that the whole team at Restore is motivated and energised by our commitment to do the best for our environment and the communities we live in. We are committed to deliver with the highest levels of integrity and governance you would expect from a company entrusted with such critical services to customers and the broader society in the UK.

Digital and Information Management

Our Digital and Information Management division comprises Restore Records Management and Restore Digital. For 2021 revenue was £138.3 million, up £32.2 million on 2020 with operating profit of £42.5 million, an increase of £8.5 million on 2020.

Restore Records Management

Restore Records Management growth was substantial during 2021 with organic revenue growth of 5.6% and total revenue growth up 16%. Pricing was increased at ordinary inflation rates with total box storage volumes up 11.6%, including organic growth at an impressive 1.3% (vs 0.9% in 2020 and 1.9% in 2019). This demonstrates that even with various lockdowns and interrupted business activity in the wider economy we can grow strongly. Three acquisitions in the year of 1BDM, EDM and The Document Warehouse ('TDW') contributed to this overall excellent result. Our total box storage volume at the end of 2021 is now 22 million boxes which means over the last three years we have increased our storage by 2.6 million boxes or 13.3%.

Storage revenue grew by 5.4% during the year and including activity-based revenues the total revenue for the year was £101.4 million and we end the year with exit run rate revenue of £110 million. Although we experienced a strong recovery in activity levels, we still have a number of customers in the private and public sector that are yet to fully recover their delivery and retrievals which will provide a positive further tailwind for the business in 2022.

Occupancy rates closed the year at 89% (2020: 94%) with the addition of capacity at our new Heywood site of c.1 million boxes and capacity in the recently acquired TDW business in Sittingbourne. We exited one large site at Transfessa, Paddock Wood with a further 4-5 sites planned for consolidation in 2022. Over the next 8 years we have a clear plan to reduce the number of buildings in the estate by 50% while at the same time ensuring increased capacity for the organic and acquisitive growth of the business. We will invest in larger and higher density sites as we have done in 2021 to drive down our property cost in the region of c.25%. We will do this while staying close to our customers to ensure excellent service levels with deliveries of records.

New customer wins included Department for Work & Pensions ('DWP'), a document services project of approximately £10 million over 20 months which commenced in June 2021.

As part of the service, 95 employees transferred across to us from the previous provider. We had several other significant wins across the public sector, including NHS Hospitals, local councils, and Clinical Commissioning Groups (CCG's). These entities are a new opportunity for us, driven by funding by NHS commissioners to move patient notes off site.

Across the private sector we had a 27% increase in new customer wins compared to 2020 and our pipeline at the end of 2021 is 7% bigger compared to the previous year. We have almost half of our 2022 new box target already confirmed.

The market trends are very positive for our Records Management business. Organisations have been slow to adopt digital workflows in the last 20 years and although some companies have rushed to implement new digital experiences for customers in the last 12 months, we are still seeing significant growth in physical documents for storage. If customers decide to invest in further digitisation of their business (which we encourage) then we are well placed to win this business because we can deliver both the physical and digital service for customers. Flexible working also drives more demand for those 'unvended boxes' held in customers' premises. When customers move, whether it be downsizing, rightsizing or upsizing their business it makes no sense to move boxes to expensive new office facilities when we can offer a fast turn around and cheaper service compared to inhouse provision with additional benefits of inventory and asset tracking to provide peace of mind. We estimate this un-vended market to be c. £50-100 million of revenues per year and we experienced 185 new customers in 2021 with unvended boxes demonstrating this growth opportunity. A significant customer trend is towards sustainability in the Records Management market, this means a focus on energy costs associated with storage of boxes. We provide the lowest carbon offering to customers to reduce their Scope 3 emissions. It is these trends coupled with our excellent customer experience as shown by over 140 Trustpilot reviews (4.7 out of 5) that means we win against competition to drive an increase in organic market share.

As demonstrated over the last few years (including during the COVID-19 pandemic) our overall strategy in Records Management is to drive capacity growth which will deliver significant revenue and profit growth. We are delivering consistent organic growth with the market drivers described while also focusing on the customer experience and reduction in costs. There are substantial acquisition opportunities in the market, supported by active discussions with over 20 companies of a total number of 110 with whom we have continual dialogue.

Restore Digital

Restore Digital helps customers in their digital journey with services from Digitisation, Cloud, Consulting, Digital Mailroom and Business Process Outsourcing ('BPO'). Restore Digital revenues increased substantially from £18.5 million in 2021 to £36.9 million for 2021 with an exit run rate of £46 million. It was a transformational year for the business with strong organic growth coupled with two acquisitions, the largest being EDM which was completed in April 2021 for £62.4 million (24% of the revenues fall in the Restore Records Management business with 76% of the revenues in Restore Digital). Importantly the capabilities of the business have been transformed with the addition of EDM which enhanced our position in the all-important Digital Mailroom space to be the market leader, and enhanced our Cloud, BPO and software assets and capabilities which have been outlined as strategic areas of growth over the last 2 years. We operate nationally from 11 sites with over 800 employees and provide cloud hosting services of c.£6 million in revenues and growing with c. 500 million cloud hosted images.

With this increase in higher margin services and additional scale driving efficiencies alongside operational improvement the net margin of Restore Digital has improved materially in line with our expectations and the strategy that we have outlined over the last 2 years.

We are winning in the market with long term contracts demonstrating the critical nature of the services we provide. In addition, the sales pipeline at the end of 2021 was significantly higher than 2020 (increase of 28%).

We have a 10 year contract in partnership with Canon; an awarded tender through TCS (Tata Consultancy Services) in the DigiGOV Framework where we will provide Digital Mailroom and Payment Processing services commencing in September 2022. These services are vital to support the delivery of a new smart mobility system that will reimagine the administration of taxi and private hire vehicles in London.

We were awarded a 3 year contract directly with Monzo bank, one of the first online-only challenger banks in the UK. We have successfully rolled out a digital inbound and outbound omnichannel mailroom, and together we are looking to develop this further, including cheque processing and wider electronic banking services.

We signed a contract for 3 years with Dashly, the only 24/7 Mortgage Evaluation Platform. Restore Digital delivers intelligent Capture and Data Perfection services that enable Dashly's own revolutionary technology to evaluate individuals' mortgages against the entire market 24/7 to find the right deal for every customer. These services enable mortgage advisers to effortlessly onboard their clients and are then alerted whenever Dashly identifies an opportunity for them to save money, taking into account all fees and early repayment charges.

Over the last 12 months we have made extensive preparations for the upcoming delivery of critical elements of the Scottish Census on behalf of National Records Scotland and in partnership with APS Group we look forward to the start of service delivery at the end of February 2022. The services provided illustrate the breadth of Restore Digital's capability, from document digitisation, through complex data capture and interpretation and including provision of supporting systems.

The long term trends for Restore Digital are very positive with customers looking to unlock the information in physical records to support a digital transformation. We can help customers with both of these challenges and so provide a one stop shop for customers who want to simplify what are difficult changes for them. Changes in the workplace are favourable with services like Digital Mailroom which remove the need for customers to have onsite mailroom employees and this also enhances their ability to change their property portfolios. Hybrid working increases the need to be more digital and we offer a complete physical to digital service and with our consulting, cloud and software assets we help customers in this journey. The services we provide come with attractive financial profiles for Restore comprising a mixture of project and multi-year subscriptions revenues.

Our strategy is to continue to grow aggressively with a mix of organic growth and acquisitions for additional capability and scale. The market size is at least £320 million and growing at a minimum of 4% and with 15% market share we have significant room to grow. After integrating EDM in 2021 and delivering strong organic growth the business is ready for an even bigger year in 2022.

Secure Lifecycle Services

Our Secure Lifecycle Services Division comprises Restore Technology, Restore Datashred and Restore Harrow Green. For 2021 revenue was £96.0 million, up £19.4 million on 2020 with operating profit of £11.7 million, an increase of £8.5 million on 2020.

Restore Technology

Restore Technology had a transformational year and exits 2021 with exit run rate revenues of £34 million. This means the revenue from this business unit has trebled in size over the last three years. Size and scale expansion has also resulted in significantly improved margins, with further opportunities still to pursue through operational efficiency. Scaling from £15.3 million to £28.1 million, this business unit now operates across seven sites, provides truly national coverage, employs almost 400 people, serves 18,000 clients, handles over 1.4 million assets, and enjoys the market leading position and is the largest UK owned IT Lifecycle Services business.

Three new businesses were acquired in the year. Starting in January 2021 we purchased Computer Disposals Limited, a scale IT Asset Disposals ('ITAD') company with national coverage and operational strength. We acquired a small business, The Bookyard which increased our capability with Apple technologies, and in August we acquired PRM Green Technology, another ITAD company with operational strength, with significant penetration in the education sector. I am delighted with the acquisitions in Restore Technology this year. The inorganic growth from these businesses, combined with the sales growth delivered by the team has contributed to both a strengthening of performance and capability. Our pipeline of future acquisitions is exciting and promises continued success in this vein, particularly as we consider how expanding capability throughout the technology lifecycle will offer yet more value to our clients and differentiation of our portfolio.

In line with our overall growth, 2021 has been a year of success with our clients. Organic and inorganic growth combined saw this business welcome £9 million of new client opportunities, which is a several fold increase YoY, incorporating many prestigious logos. Our increasing scale and client base presented an opportunity to evolve our sales strategy and coverage model. We increased our focus on clients, new and existing, enterprise and SME, direct and in partnership with our channel. We intensified our efforts around client experience, eCommerce and digital transformation. Our resilience and agility enabled our clients to rely on us as their businesses evolved through 2021, despite the changing landscape of COVID-19 restrictions.

Our brand's association with trust further strengthened throughout 2021. Our clients already associate us with the highest levels of accreditation and certification, giving them confidence to trust us with the responsibility of handling their data ethically and securely. Our PlanetMark certification achieved in 2021 underscores our commitment to environmental sustainability, a core value of our technology business. Trusting Restore Technology with the processing of technology ensures assets are always handled securely, ethically and sustainably, whether that be for services early in the lifecycle such as asset and imaging, services through the lifecycle such as upgrading or moving, and services at the end of the lifecycle such as reuse, remarketing, or destruction. The Restore Technology business is now 'the' secure and sustainable choice for technology lifecycle services.

As market dynamics continue to elevate the importance of these values, the technology lifecycle market will only continue to grow and our opportunity likewise. Technology spend is growing at least 6% pa. which in turn drives demand for the need to recycle technology assets in a secure and sustainable way. Our ambition for growth in this area reflects this growing demand and will see us outpace the market. Our exciting medium-term goals are to build a business with £80-100 million annual revenues with a services portfolio designed to serve both our clients and our channel alike, across all phases of the technology lifecycle. 2022 promises to be another exciting year for this part of our business.

Restore Datashred

Restore Datashred our secure shredding and paper recycling business was impacted in the H1 2021 with the UK wide lockdowns and in H2 showed significant improvement in activity levels with customers. Revenue increased to £30.2 million (2020: £28.0 million) with a 9% increase in service visits for the year. Recycled paper prices increased during the year. Entering the year, the average price per tonne was c £158 and the average for the whole year was c.£185, with overall paper volumes on par with 2020 levels; we expect this volume to materially increase in 2022.

We carefully maintained our position as one of the top online search choices for shredding services in the UK. This maximised the inbound opportunity and delivered a consistent level of ad-hoc destruction requirements across the UK. There were a number of key wins across the year with a sizeable new national pharmacy customer, operating over 1,400 sites across the UK. This opportunity was successfully transitioned, on-boarded and operations began servicing at the end of 2021. In addition, the sales team on-boarded over 2,200 new customers into the Group. As a result of cross selling the team supported some major new contracts in Records Management and Digital, where having the capability to destroy documents inhouse, formed a major part of the decision criteria.

We have a clear plan to improve operational efficiency whilst also improving our customer experience. Our 5-year operational strategy is focused on delivering transformation aligned to the Group ESG targets: optimising the number of customers we service per route per vehicle, ensuring we utilise the right vehicles so we match capacity with customers, reviewing our depot footprint to make sure we are aligned to our customer density and have the optimum destruction capability to service our customer needs. In addition, over the last 2 years the team has focused on optimising our fleet with a mix of different vehicles from vans to small and large trucks to fit the profile of the work we do (onsite shredding vs offsite) to drive more visits per day and overall utilisation. We have also improved the routing of vehicles and the operations of our 9 destruction sites and 3 collection sites across the UK. With a focus on transformation whilst managing the complexities of the pandemic, the team have improved the overall structural productivity of the business. With the expected increase in volumes across this year, this will generate improved returns from this business.

Customer satisfaction was excellent throughout the year with positive feedback and a continued strong Trustpilot score of 4.6/5. We improved our market leading NPS score from an average across FY20 of 70 to 72.5. Service levels into our customer base were also maintained above 95%, which in a COVID impacted environment is testament to our robust processes and professionalism across our operations teams.

Our digital transformation drive continues, with a focus on automation to streamline our processes, enhancing our customer experience. We launched a new online service, Homeshred for consumer home collections during the pandemic and expanded the service to now the most comprehensive range in the market. We also launched a pilot demonstrating our new automated customer reports, to which feedback has been excellent, and it is now part of our mainstream business.

We completed one small acquisition in Q4 2021 which is now fully integrated, and we are in early stage discussions with a number of companies. We expect over the next 12 months to see increasing activity which will help us scale up the business on the stronger foundations we have created over the last 18 months.

The paramount concern of our customers is the security of data with their shredding service but increasingly the environmental impact of the service including carbon emission, waste management and the recycling of material is becoming a key buying criterium, which is a positive trend for our business.

Our strategy is to grow the business substantially both organically and through acquisitions which increases our scale and investment in new technologies to deliver a Net Zero service. I am delighted with the progress of the team in the last 2 years. They have weathered the uncertainties presented by COVID-19 and continued to transform the business such that we are ready for the bounce back with significantly improved sales and operational performance and a lower cost base to generate good returns for the business as activity and scale returns.

Restore Harrow Green

Restore Harrow Green delivered a very strong year despite the volatility posed by COVID-19 with customer decision cycles changing more than normal. Harrow Green achieved an increase in revenues to £37.7 million (2020: £33.3 million) and also delivered record profits with very strong cost control across the business.

In 2021 we saw a sharp increase in activity levels for quoting of work which was up 24% vs 2020 but still lower than 2019 volumes as we expected. The increase in opportunities did bring some very significant wins throughout the year, with the following projects secured: University of Exeter >£800k, University of Glasgow >£190k, City of London Police >£350k and Victoria & Albert Museum >£200k. Overall the larger scale corporate projects have significantly reduced in terms of volume and size however we expect this to come back in 2022 and beyond with pent up demand.

We made significant progress in 2021 around our strategic goal in increasing our presence in the Life Science market. We opened our Cambridge site in Q1 of 2021 with its increased capability supporting the pharmaceutical market. We have significant capability already and on the back of this investment we have seen very encouraging new wins for major office and laboratory moves along with storage, delivery and installations of equipment for OEMs supplying these customers. The additional storage capability with this new site has meant we have achieved storage revenues of £4.1 million across our 9 facilities which is 26.5% ahead of 2020 and 36% on 2019. We have seen strong long-term demand for this value added service which also drives improvement in the margin. We intend to invest further in new facilities in 2022 to increase our storage capacity. In 2021 we were unsuccessful in renewing the DAS contract (Defence Accommodation Service) of which we are a sub-contractor (our portion is <15% of the overall contract) through Amey. We will have at least 3 months of the contract in 2022 and will TUPE the affected employees at the end of the contract.

The strong financial result was underpinned with excellent 'on the day' execution by the team and continued cost control throughout the year. Activity levels in the regions increased strongly which offset a more subdued London market which we expect to equalise during 2022.

Over the next 12-24 months our expectation is that there will be pent up demand for office relocation and reconfiguration. A number of companies and public sector organisations delayed lease breaks and office changes that had been planned and this demand plus the new demand posed by organisations needing to move offices with lease breaks will mean a significant wave of activity. We have seen in the last two months of 2021 increased proposal and quoting activity, although we have seen a slower return to activity in January following the latest restrictions. We are being cautious with the addition of labour to meet this demand and we can flex with our agency workforce as required.

Restore Harrow Green's strategy is to grow organically and expand into new customer segments that value certainty of delivery as demonstrated with our Life Sciences investment in Cambridge. Although the strategy is focused on organic growth, we will look at acquisition opportunities that may present themselves as we emerge from COVID-19 to strengthen our regional footprint and also key customer segments.

Outlook

Looking ahead we are seeing increasing demand for our mission critical services and coupled with strong cost control and acquisitions we expect to deliver further increases in EPS in-line with our high growth strategy.

Despite macro uncertainty, we are well positioned for further organic growth in 2022 and have an active pipeline of strategic acquisitions to further build scale and capability. Inflation is a headwind but with strong productivity gains and pricing, we are confident in our ability to contain this risk.

In Records Management, we delivered 1.3% organic growth in boxes in 2021 and we are determined to improve on this result in 2022 in line with our guidance of between 1-2% organic volume growth, and with price increases on the storage revenue increase in 2021.

Our margin expansion strategy over the medium term is very clear, and, in the shorter term with continued scaling of the business, higher margin services and tight cost control, we see a good margin expansion opportunity on a business which is much larger.

The financial strength stemming from strong recurring revenues and long-term contracts coupled with high customer satisfaction levels mean we can invest heavily for long term growth while delivering in year increases in EPS. We operate in attractive markets that are growing and also largely fragmented and so we have significant organic and acquisition growth opportunity.

Our medium-term goal to increase run rate revenues from £260 million to between £450-500 million and double EBITDA of £74.2 million today to over £150 million is on track.

Trading since the start of the year has been in line with the Board's expectations.

CFO's Statement

Restore has delivered a strong financial performance for 2021 with record levels of revenue and profit, positive organic growth momentum and successful execution of a number of transformative acquisitions.

The Group has delivered clear underlying business expansion and successfully completed eight strategically aligned, high quality business acquisitions at an investment cost of £86.3 million, net of cash acquired, during the year to 31 December 2021. With combined annualised revenues of c.£44 million and EBITDA of c.£16 million after synergies, these investments are providing strong returns and a post synergy ROIC of over 13.0%. These investments have increased the number of boxes under management in Records Management from 20 to 22 million boxes, more than doubled the size of both Restore Digital and Restore Technology and further enhanced the Group's scale, capability, and breadth of products.

Reflecting this strong financial performance and confidence in the Group's prospects, a final dividend of 4.7 pence per share is proposed. Together with the interim dividend of 2.5 pence per share, previously declared and paid, the total dividend for the year to 31 December 2021 will be 7.2 pence per share (2020: nil pence).

With revenues of £234.3 million for 2021, and an exit run rate of £260 million, Restore has substantially increased in scale. With a track record of strong cash generation, substantial balance sheet capacity and significant opportunity for organic and acquisition expansion, the Group is well placed for further growth in 2022.

Revenue	H1 £m	H2 £m	**2021** **£m**
2021	106.1	128.2	234.3
2020	89.5	93.2	182.7
2019	106.2	109.4	215.6
2021 v 2020	119%	138%	128%
2021 v 2019	100%	117%	109%

Income Statement and profit performance

The Group's revenue for the year ended 31 December 2021 was £234.3 million, an increase of 28% over 2020. This strong growth reflects a return to largely normal activity levels during 2021 following the impact of COVID-19 on 2020 performance, underlying organic expansion and the benefit of strategic acquisitions during 2021.

Revenue bridge	£m
2020 Revenue	182.7
COVID-19 repair	10.2
Organic growth	9.2
Acquisitions in year	30.0
Full year effect of prior year acquisitions	2.2
2021 Revenue	234.3

As anticipated, 2021 saw a strong recovery from the impact of COVID-19 restrictions on 2020 performance with revenues back to 95% of pre-pandemic levels by the end of Q1 2021. The business experienced a steady return of activity and underlying organic expansion throughout the year although Restore Datashred was slower to recover than other businesses repairing from 62% of pre-pandemic revenue levels in Q1 2021 to 84% by Q4 2021.

Organic growth in the year, is estimated at £9.2 million with identifiable, organic only effects derived from net box growth, normal price increase and net contract wins. This represents an organic growth rate of 5% and is in line with strategic objectives as set out at the Capital Markets Day in November 2021.

Whilst COVID-19 recovery and organic expansion has been strong, a number of headwinds remained in the year with potential to repair further in the future. Notably, compared to the pre-pandemic period, Restore Datashred revenues were down c.£10 million; Restore Digital once again absorbed the cancellation of GCSE and A level digital exam scanning at a revenue impact of c.£3 million; and certain service income activities were lower in Harrow Green (c.£4 million); and Records Management (c.£4 million).

Acquisitions in the year benefitted revenue by £30 million. This annualises to £44 million and has driven a substantial increase in the scale of the business from revenues of £215.6 million in 2019 to an exit run rate of £260 million by Q4 2021. The returns on these investments have been excellent, achieving a post synergy return in capital invested of 13.0%.

The business continued to focus on cost and margin improvement during the year with a number of strategic cost initiatives underway. Of note, the Group completed fuel supplier consolidation in H1, entered into a strategic long-term lease in Heywood and acquired a freehold in Sittingbourne to support Records Management growth and reduce cost per box through increased storage density. In Q4, the business commenced a strategic review of fleet suppliers, in light of future ESG goals, and started to assess the potential consolidation of security and facilities services across the Group.

Using 2019 as a clean comparative, the key cost ratios have remained flat through to 2021 with people costs at 43% of revenue in 2021 and 2019, and with property lease payments at 8% of revenue across the two periods.

As a result of the revenue expansion and productivity improvements, the Group's adjusted profit before tax increased to £38.1 million for the year to 31 December 2021 from £23.2 million for 2020, an increase of 64%. The operating margins also showed positive momentum during 2021, growing from 18.5% in H1 to 20.7% for H2 to give a full year margin of 19.7% (2020: 17.4%).

The statutory profit before tax for the year to 31 December 2021 was £23.0 million (2020: £4.0 million). This increase results from the positive trading reasons stated previously and the impact of non-cash impairments in the prior year totalling £8.6 million.

Adjusted profit items

Due to the one-off nature of exceptional costs and the noncash element of certain charges, the Directors believe that the alternative performance measure of an adjusted profit before tax and earnings per share provides shareholders and other stakeholders with a useful representation of the Group's underling earnings and performance. The adjusting items in arriving at the underlying adjusted profit before tax are as follows:

	2021 **£m**	2020 £m
Statutory profit before tax	23.0	4.0
Adjustments		
– Amortisation	10.7	8.3
– Impairment	-	8.6
– Exceptional costs	4.4	2.3
Adjusted profit before tax	38.1	14.6

Amortisation has increased as a result of acquisition investment. Details of exceptional cost movements are set out below.

Exceptional costs

Restore's strategy is to grow through organic expansion, strategic acquisition and margin enhancement through efficiency and scale. To deliver these objectives, costs of a one-off or unusual nature may occur and in order to give a suitable representation of the underlying earnings of the Group, these costs are shown separately.

	2021 **£m**	2020 £m
Acquisition transaction costs	1.2	0.1
Acquisition related restructuring costs	2.4	0.1
Restructuring and redundancy	-	1.3
Other exceptional items	0.8	0.8
Total exceptional costs	4.4	2.3

Acquisition related transaction costs and restructuring costs have increased from £0.2 million in 2020 to £3.6 million in 2021. This increase is as a result of the Group's eight acquisitions during the year and represents 4% of the acquisition investment during the year, in line with management expectations.

Other exceptional costs in 2021 include legal and advisory costs in respect of the unsolicited, non-binding, highly conditional approach to the Group by Marlowe plc during the year (£0.5 million), and final adjustments to the penalty relating to an incident at the Crayford site in 2018 (£0.3 million), with the total fine finalised at £0.6 million.

Earnings Per Share (EPS)

Basic adjusted earnings per share are calculated by reference to the adjusted profit for the year, less a standard tax charge, to the weighted average number of shares in issue during the year.

The fully diluted adjusted earnings per share are calculated by reference of the adjusted profit for the year, less a standard tax charge, to the weighted average number of shares in issue and options granted over the shares of the Group during the year.

	2021	2020
Basic adjusted earnings per share from continuing operations	23.2p	15.0p
Fully diluted adjusted earnings per share from continuing operations	22.4p	14.6p
Basic earnings per share from continuing operations	8.7p	0.2p

The 55% year on year increase adjusted EPS reflects the 64% increase in the Group's earnings in excess of the 6% increase in the weighted average number of shares following the issue of equity in support of acquisition activity in May 2021.

Interest cost	2021 £m	2020 £m
Interest on bank loans and overdrafts	2.6	2.8
Interest on lease liabilities	5.2	5.4
Amortisation of deferred finance costs	0.3	0.3
Total	8.1	8.5

The bank interest cost for 2021 is slightly reduced compared to 2020 with the average debt balance broadly similar, although generally increasing, through 2021.

Non-cash interest cost on the lease liability reflects the application of IFRS16 and is slightly reduced from £5.4 million in 2020 to £5.2 million for 2021 as the liability reduced during the year from £120.7 million at 31 December 2020 to £117.0 million at 31 December 2021.

Taxation

The current tax charge for the period is £11.5 million. Following the announcement on 3 March 2021 of a change to the UK corporate rate to 25% in 2023, which has now been substantively enacted, we have re-assessed the deferred tax position of the Group which has resulted in an additional non-cash tax charge of £6.2 million being recognised in the income statement.

Cash generation and financing

The Group's cashflow continues to benefit from a high quality, reliable customer base with very low levels of bad debt or late payment. The free cashflow generation of £24.5 million for 2021 (2020: £29.6 million), reflects the continued high profit to cash conversion characteristic of the Group and is after a working capital outflow of £12.1 million primarily due to absorbing the effect of the expansion of working capital in support of the business growth of c.£2 million, working capital requirements associated with acquisitions and full repayment of c.£8 million of VAT deferred from 2020.

During the year, the Group substantially increased the pace of business acquisitions and invested £86.3 million, net of cash acquired, including deferred consideration. Whilst primarily funded from the Group's debt facilities, the business also raised additional capital of £38.1 million, net of issue costs, through an equity placing in May 2021.

The Group continues to have significant headroom within its borrowing facilities with the current Revolving Credit Facility (RCF), which runs to April 2025, providing borrowing capacity of up to £200 million plus a further uncommitted accordion of £50 million, leaving the Group with flexibility to invest as opportunities arise.

Statement of Financial Position

The Group's balance sheet continues to be in good health with key working capital ratios in line with previous years and further expansion of the net assets of the business due to the profitable nature of the Group's activities whilst balancing with returns to shareholders.

	2021 **£m**	2020 £m
Working capital*	12.8	3.3
Total Equity/Net Assets	265.2	218.6
Net Debt (post IFRS16)	217.8	186.8
Net Debt (pre IFRS16)	100.8	66.1

*Trade and other receivables plus inventory less trade and other payables

Working capital management remains a strength of the business with debt ageing consistent at 51 days and the current asset to current liability ratio improving from 1.2x to 1.4x. Total equity has increased to £265.2 million (2020: £218.6 million) as a result of the annual profit and the equity raise in May 2021.

The strength of the Statement of Financial Position is indicative of the overall good health of the business and provides substantial capacity to support future growth and investment requirements.

Consolidated statement of comprehensive income
For the year ended 31 December 2021

	Note	**Year ended 31 December 2021 £'m**	Year ended 31 December 2020 £'m
Revenue	2	234.3	182.7
Cost of sales		(127.1)	(105.9)
Gross profit		107.2	76.8
Administrative expenses		(61.1)	(45.2)
Amortisation of intangible assets		(10.7)	(8.3)
Exceptional items	3	(4.4)	(2.3)
Movement in trade receivables loss allowance		0.1	0.1
Impairment of intangible assets		-	(7.0)
Impairment of investment		-	(1.6)
Operating profit		31.1	12.5
Finance costs		(8.1)	(8.5)
Profit before tax		23.0	4.0
Taxation	4	(11.5)	(3.8)
Profit after tax		11.5	0.2
Other comprehensive income		-	-
Total comprehensive income for the year and profit attributable to owners of the parent		11.5	0.2
Earnings per share attributable to owners of the parent (pence)			
Total – basic	5	8.7p	0.2p
Total – diluted	5	8.4p	0.2p

All the Group's results are from continuing operations.

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

	Note	**Year ended 31 December 2021 £'m**	Year ended 31 December 2020 £'m
Operating profit – continuing operations		31.1	12.5
Adjustments for:			
Amortisation of intangible assets	8	10.7	8.3
Exceptional items	3	4.4	2.3
Impairment of intangible assets		-	7.0
Impairment of investment		-	1.6
Adjustments		15.1	19.2
Adjusted operating profit		46.2	31.7
Depreciation of property, plant, and equipment and right of use assets		28.0	25.7
Earnings before interest, taxation, depreciation, amortisation, impairment, and exceptional items (EBITDA)		74.2	57.4
Profit before tax		23.0	4.0
Adjustments (as stated above)		15.1	19.2
Adjusted profit before tax		38.1	23.2

Consolidated statement of financial position
At 31 December 2021

Company registered no. 05169780

	Note	**31 December 2021 £'m**	31 December 2020 £'m
ASSETS			
Non-current assets			
Intangible assets	8	327.2	247.4
Property, plant, and equipment		78.8	70.6
Right of use assets		102.5	107.1
Investments		-	-
Deferred tax asset		5.9	3.4
		514.4	428.5
Current assets			
Inventories		1.4	0.9
Trade and other receivables		56.9	41.2
Corporation tax receivable		-	0.3
Cash and cash equivalents	10	32.9	26.4
		91.2	68.8
Total assets		605.6	497.3
LIABILITIES			
Current liabilities			
Trade and other payables		(45.5)	(38.8)
Financial liabilities – lease liabilities		(18.2)	(16.7)
Current tax liabilities		(1.5)	-
Provisions		(0.9)	(0.4)
		(66.1)	(55.9)
Non-current liabilities			
Financial liabilities – borrowings	10	(133.7)	(92.5)
Financial liabilities – lease liabilities		(98.8)	(104.0)
Deferred tax liability		(33.9)	(19.8)
Provisions		(7.9)	(6.5)
		(274.3)	(222.8)
Total liabilities		(340.4)	(278.7)
Net assets		265.2	218.6

EQUITY		
Share capital	6.8	6.3
Share premium account	187.9	150.3
Other reserves	7.0	6.0
Retained earnings	63.5	56.0
Equity attributable to the owners of the parent	265.2	218.6

Consolidated statement of changes in equity
For the year ended 31 December 2021

	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 2020	6.2	150.3	6.1	55.9	218.5
Profit for the year	-	-	-	0.2	0.2
Total comprehensive income for the year	-	-	-	0.2	0.2
Transactions with owners					
Issue of shares during the year	0.1	-	-	(0.1)	-
Current tax on share-based payments	-	-	0.8	-	0.8
Deferred tax on share-based payments	-	-	(1.3)	-	(1.3)
Share-based payments charge	-	-	1.2	-	1.2
Purchase of treasury shares	-	-	(0.8)	-	(0.8)
Balance at 31 December 2020	6.3	150.3	6.0	56.0	218.6
Balance at 1 January 2020	6.3	150.3	6.0	56.0	218.6
Profit for the year	-	-	-	11.5	11.5
Total comprehensive income for the year	-	-	-	11.5	11.5
Transactions with owners					
Issue of shares during the year	0.5	39.5	-	-	40.0
Issue costs	-	(1.9)	-	-	(1.9)
Dividends	-	-	-	(3.4)	(3.4)
Current tax on share-based payments	-	-	0.2	-	0.2
Deferred tax on share-based payments	-	-	0.6	-	0.6
Share-based payments charge	-	-	2.2	-	2.2
Transfer*	-	-	(0.2)	0.2	-
Purchase of treasury shares	-	-	(2.6)	-	(2.6)
Disposal of treasury shares	-	-	0.8	(0.8)	-
Balance at 31 December 2021	6.8	187.9	7.0	63.5	265.2

* In 2021 a net amount of £0.2m was reclassified from share-based payments reserve to retained earnings in respect of lapsed and exercised options.

Consolidated statement of cash flows
For the year ended 31 December 2021

	Note	**Year ended 31 December 2021 £'m**	Year ended 1 December 2020 £'m
Cash generated from operating activities	9	59.9	66.9
Net finance costs		(7.0)	(8.0)
Income taxes paid		(5.2)	(7.2)
Net cash generated from operating activities		47.7	51.7
Cash flows from investing activities			
Purchase of property, plant and equipment and applications software		(8.8)	(7.3)
Purchase of subsidiary undertakings, net of cash acquired		(85.8)	(3.4)
Purchase of trade and assets		(0.9)	(0.3)
Cash flows used in investing activities		(95.5)	(11.0)
Cash flows from financing activities			
Net proceeds from share issue		38.1	-
Dividends paid		(3.4)	-
Purchase of treasury shares		(2.6)	(0.8)
Repayment of revolving credit facility		(65.0)	(13.0)
Drawdown of revolving credit facility		106.0	-
Lease principal repayments		(18.8)	(17.1)
Net cash used in financing activities		54.3	(30.9)
Net increase in cash and cash equivalents		6.5	9.8
Cash and cash equivalents at start of year		26.4	16.6
Cash and cash equivalents at end of year	10	32.9	26.4

Notes to the preliminary financial information
For the year ended 31 December 2021

1. Basis of Preparation

The financial information in this preliminary announcement has been extracted from the audited consolidated financial statements for the year ended 31 December 2021 and does not constitute the statutory accounts for the Group.

The consolidated financial statements of Restore plc have been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The consolidation financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities which are held at fair value. The accounting policies have been consistently applied, other than where new accounting standards have been adopted. 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 consolidated financial statements are presented in pounds sterling and, unless stated otherwise, shown in pounds million to one decimal place.

2. Segmental Analysis

During the year, the Directors have reviewed the Group's operating segments, which has resulted in the classification of two new operating segments: Digital & Information Management, and Secure Lifecycle Services. The prior year comparatives have therefore been restated in accordance with these new segments.

The vast majority of trading of the Group is undertaken within the United Kingdom. Segment assets include intangibles, property, plant, and equipment, right of use assets, 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 and property, plant, and equipment. 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:

Revenue - Continuing operations	**2021 £'m**	(Restated) 2020 £'m
Restore Records Management	101.4	87.6
Restore Digital	36.9	18.5
Digital & Information Management	138.3	106.1
Restore Technology	28.1	15.3
Restore Datashred	30.2	28.0
Restore Harrow Green	37.7	33.3
Secure Lifecycle Services	96.0	76.6
Total Revenue	234.3	182.7

For the year ended 31 December 2021 no customers individually accounted for more than 3% (2020: 3%) of the Group's total revenue.

Segmental information:

Profit before tax	**2021 £'m**	(Restated) 2020 £'m
Digital & Information Management	42.5	34.0
Secure Lifecycle Services	11.7	3.2
Head office	(5.2)	(4.5)
Amortisation of intangible assets	(10.7)	(8.3)
Impairment of intangible assets and investment	-	(8.6)
Exceptional items	(4.4)	(2.3)
Share-based payments charge (including related NI)	(2.8)	(1.0)
Operating profit	31.1	12.5
Finance costs	(8.1)	(8.5)
Profit before tax	23.0	4.0

	Digital & Information Management £'m	**Secure Lifecycle Services £'m**	**Head Office £'m**	**31 December 2021 Total £'m**
Segment assets	341.2	255.5	8.9	605.6
Segment liabilities	154.1	57.3	129.0	340.4
Capital expenditure	5.7	2.7	0.4	8.8
Depreciation and amortisation	26.2	12.1	0.4	38.7

	(Restated) Digital & Information Management £'m	(Restated) Secure Lifecycle Services £'m	Head Office £'m	31 December 2020 Total £'m
Segment assets	347.4	136.3	13.6	497.3
Segment liabilities	132.2	59.4	87.1	278.7
Capital expenditure	5.8	1.3	0.2	7.3
Depreciation and amortisation	22.6	11.3	0.1	34.0

3. Exceptional Items

	2021 **£'m**	2020 £'m
Acquisition – transaction costs	1.2	0.1
Acquisition related restructuring costs	2.4	0.1
Restructuring and redundancy	-	1.3
Other exceptional	0.8	0.8
Total	4.4	2.3

Restore's strategy is to grow organically, through acquisition and from unlocking margin expansion opportunities, particularly the development of synergies across the Group. To deliver these goals, costs of a one-off or unusual nature may occur and in order to give a suitable representation of the underlying earnings of the Group, these are shown separately.

Acquisition related transaction costs and restructuring costs have increased from £0.2 million in 2020 to £3.6 million in 2021 as a result of the Group's eight acquisitions during the year. Acquisition related exceptional costs represent 4% of the acquisition investment during the year, net of cash acquired.

Other exceptional costs in 2021 include defence costs in respect of a takeover proposal of the Group (£0.5 million), and the final adjustment to the legal liability in 2018 (£0.3 million), for which the total fine was £0.6 million, as disclosed in Group's interim results. Other exceptional costs in 2020 include the first part of legal liability above, employer's national insurance on legacy share option exercises (£0.3 million) and the costs associated with a corporate restructure (£0.2 million).

Restructuring costs in 2020 were as a result of the COVID-19 pandemic, where the Group sought to reduce costs in the business on an ongoing basis through redundancies and site closures but had to incur some one-off costs to implement this (£1.3 million).

4. Taxation

	2021 **£'m**	2020 £'m
Current tax:		
UK corporation tax on profit for the year	6.8	4.1
Adjustment in respect of previous periods	-	(0.4)
Total current tax	6.8	3.7
Deferred tax:		
Current year	4.7	0.6
Adjustment in respect of previous periods	-	(0.5)
Total deferred tax	4.7	0.1
Total tax charge	11.5	3.8

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

	2021 **£'m**	2020 £'m
Profit before tax	23.0	4.0
Profit before tax multiplied by the rate of corporation tax of 19.0% (2020:19.0%)	4.4	0.8
Effects of:		
Expenses not deductible	0.9	2.0
Adjustment in respect of corporation tax for previous periods	-	(0.4)
Adjustment in respect of deferred tax for previous periods	-	(0.5)
Share-based payments	-	0.2
Effect of change in rate used for deferred tax	6.2	1.7
Tax charge	11.5	3.8

The tax charge for the year is higher than the profit before tax multiplied by the rate of corporation tax (2020: higher).

An increase in the UK corporation tax rate from 19% to 25%, effective 1 April 2023, was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. Deferred tax at the balance sheet date have been measured using these enacted rated and reflected in these financial statements.

5. Earnings Per Ordinary Share

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

	2021	2020
Weighted average number of shares in issue	132,932,784	125,214,737
Total profit for the year	£11.5m	£0.2m
Total basic earnings per ordinary share	8.7p	0.2p
Weighted average number of shares in issue	132,932,784	125,214,737
Share options	4,736,714	3,543,950
Weighted average fully diluted number of shares in issue	137,669,498	128,758,687
Total fully diluted earnings per share	8.4p	0.2p
Continuing profit for the year	£11.5m	£0.2m
Continuing basic earnings per share	8.7p	0.2p
Continuing fully diluted earnings per share	8.4p	0.2p

Adjusted earnings per share

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

	2021 £'m	2020 £'m
Continuing profit before tax	23.0	4.0
Adjustments:		
Amortisation of intangible assets	10.7	8.3
Exceptional items	4.4	2.3
Impairment of intangible assets and investment	-	8.6
Adjusted continuing profit for the year	38.1	23.2

The adjusted earnings per share, based on the weighted average number of shares in issue during the year, 132.9m (2020:125.2m) is calculated below:

	2021	2020
Adjusted profit before tax (£'m)	38.1	23.2
Tax at 19.0% (£'m)	(7.2)	(4.4)
Adjusted profit after tax (£'m)	30.9	18.8
Adjusted basic earnings per share	23.2p	15.0p
Adjusted fully diluted earnings per share	22.4p	14.6p

6. Dividends

The Directors recommend a final dividend of 4.7p per share for the year ended 31 December 2021 (2020: nil per share). The dividend will be paid on 8 July 2022 to shareholders on the register at 6 June 2022. An interim dividend of 2.5p, amounting to £3.4 million, was paid during the year (2020: £nil).

7. Business Combinations

The Group's strategy seeks to target the substantial acquisition opportunities that exist in all of the markets in which it operates, whilst applying strict investment discipline. The Group has completed eight acquisitions during the year.

On 8 January 2021, the Group acquired 100% of the share capital of Computer Disposals Ltd ("CDL"), a Technology business, which provides leading IT recycling and asset disposition (ITAD) services. CDL operates from a state-of-the-art facility, which provides further capacity for Restore's operations in the North West of England. The acquisition has enhanced Restore Technology's market share within the highly fragmented ITAD market.

On 1 March 2021, the Group acquired 100% of the share capital of The Bookyard Ltd ("The Bookyard"), a Technology business, which provides leading Apple recycling and spare parts services. The Bookyard also operates two market-leading eCommerce sites, www.mac2cash.com and www.click4mac.com which respectively, offer trade-in and recycle options for Apple products throughout the UK. The acquisition has further strengthened Restore Technology's capability in the growing recycling market for Apple products.

On 15 April 2021, the Group acquired 100% of the share capital of Big Data Management Ltd ("1BDM"), a leading high-quality Records Management business. 1BDM is recognised as a high-quality operator, and will increase Restore Record Management's market share in the South East of England.

On 30 April 2021, the Group acquired 100% of the share capital of Rainbow HoldCo Limited, which trades as EDM Group Limited ("EDM"). This acquisition is additive to the Group's core Records Management business and transformational for its growing Digital business. Digital is a core growth segment for Restore with a sizeable UK addressable market, which is continuing to grow, underpinning the long-term structural growth trends which have been accelerated by COVID, with digitisation, flexible working and security of data becoming increasingly necessary for all businesses. The acquisition doubles Restore's existing market share and creates a stronger business which will benefit from operating as a larger platform, with the ability to deliver both cost synergies and cross-selling opportunities through accessing the wider service offerings.

On 9 August 2021, the Group acquired 100% of the share capital of PRM Green Technologies Ltd ("PRM"), a Technology business, which provides leading IT recycling and asset disposition (ITAD) services. The business is located in Cannock in the Midlands, where all processing is carried out. The acquisition has enhanced Restore Technology's market share within the highly fragmented ITAD market.

On 6 October 2021, the Group purchased the trade and assets of PS Management Solutions Ltd ("PSMS"). The acquisition is additive to the Group's Shredding business.

On 12 October 2021, the Group acquired 100% of the share capital of The Document Warehouse (UK) Ltd ("TDW"), a Records Management business which provides an additional, strategically well-located freehold site with capacity to service the key London and the south of England markets.

On 30 November 2021, the Group acquired 100% of the share capital of Capture All Ltd ("Capture All"), a Digital business based in Falkirk.Capture All is one of the UK's leading providers in document scanning, storing, and archiving. The facilities will be retained, and the business will continue to operate from this location, providing an additional outpost for Restore Digital.

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

	CDL £m	The Bookyard £'m	1BDM £'m	EDM £'m	PRM £'m	PSMS* £'m	TDW £'m	Capture All £'m	Total £'m
Intangibles – customer relationships	4.6	-	1.1	27.6	4.7	0.8	1.7	0.2	40.7
Intangibles - software	-	-	-	1.1	-	-	-	-	1.1
Property, plant, and equipment	1.3	-	-	3.3	0.3	0.1	4.9	0.2	10.1
Right-of-use Assets	0.4	-	-	5.3	0.4	-	-	0.2	6.3
Trade and other receivables	0.5	-	0.2	6.1	0.9	-	-	0.1	7.8
Inventories	-	0.2	-	-	-	-	-	-	0.2
Cash	4.7	0.1	0.1	4.8	0.3	-	-	0.2	10.2
Trade and other payables	(1.7)	(0.1)	(0.1)	(8.0)	(0.7)	-	(0.2)	(0.1)	(10.9)
Lease liabilities	(0.4)	-	-	(5.3)	(0.4)	-	-	(0.2)	(6.3)
Corporation tax	(0.2)	-	-	0.3	(0.4)	-	-	-	(0.3)
Deferred taxation	(1.0)	-	(0.2)	(4.6)	(1.1)	-	(0.6)	-	(7.5)
Provisions	(0.2)	-	-	(1.3)	(0.1)	-	-	-	(1.6)
Net assets acquired	8.0	0.2	1.1	29.3	3.9	0.9	5.8	0.6	49.8
Goodwill	7.8	0.6	0.9	33.1	3.3	-	0.7	0.3	46.7
Consideration	15.8	0.8	2.0	62.4	7.2	0.9	6.5	0.9	96.5
Satisfied by:									
Cash to Vendors	15.3	0.8	1.9	62.4	7.2	0.9	6.2	0.9	95.6
Deferred / contingent consideration	0.5	-	0.1	-	-	-	0.3	-	0.9
Total consideration	15.8	0.8	2.0	62.4	7.2	0.9	6.5	0.9	96.5

*Trade and assets purchase

The fair value of acquired receivables is £7.8 million, which is equivalent to the gross contractual amount of acquired receivables due. The loss allowance recognised on acquisition is not considered to be material. The Goodwill arising across the acquisitions primarily represents the potential synergies and cross-selling to the Group's existing operations; an extension of the Group's national coverage, increasing the Group's market share; access to new markets; and the skilled workforce and knowledge acquired.

During the year, deferred consideration of £1.3 million was paid, in relation to the acquisitions of Computer Disposals Ltd, Euro-Recycling Ltd and Secure IT Disposals Ltd (2020: £0.1 million).

Post-acquisition results

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

	2021 **£'m**	2020 £'m
Revenue	30.0	0.5
Profit before tax since acquisition included in the Consolidated statement of comprehensive income	6.3	0.1

If the acquisitions had been completed on the first day of the financial year, Group revenue would have been £248.4m and Group continuing profit before tax would have been £25.4m.

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 Records Management, Digital, Technology and Shredding services.

8. Intangible Assets

	Goodwill £'m	**Customer relationships £'m**	**Trade names £'m**	**Applications software £'m**	**Total £'m**
Cost					
1 January 2020	164.1	125.9	4.3	6.1	300.4
Arising on acquisition of subsidiaries	1.7	2.0	-	-	3.7
Arising on acquisition of trade and assets	-	0.2	-	-	0.2
Additions – external	-	-	-	1.3	1.3
Disposals	-	-	-	(0.2)	(0.2)
31 December 2020	165.8	128.1	4.3	7.2	305.4
Arising on acquisition of subsidiaries	46.7	39.9	-	1.1	87.7
Arising on acquisition of trade and assets	-	0.8	-	-	0.8
Additions – external	-	-	-	2.0	2.0
31 December 2021	212.5	168.8	4.3	10.3	395.9
Accumulation amortisation and impairment					
1 January 2020	10.6	26.4	2.2	3.7	42.9
Charge for the year	-	7.1	0.3	0.9	8.3
Impairment	7.0	-	-	-	7.0
Disposals	-	-	-	(0.2)	(0.2)
31 December 2020	17.6	33.5	2.5	4.4	58.0
Charge for the year	-	9.1	0.3	1.3	10.7
31 December 2021	17.6	42.6	2.8	5.7	68.7
Carrying amount					
31 December 2021	194.9	126.2	1.5	4.6	327.2
31 December 2020	148.2	94.6	1.8	2.8	247.4

9. Cash generated from operating activities

Continuing operations	**2021 £'m**	2020 £'m
Profit before tax	23.0	4.0
Depreciation of property, plant and equipment and right-of-use assets	28.0	25.7
Amortisation of intangible assets	10.7	8.3
Net finance costs	8.1	8.5
Share-based payments charge	2.2	1.2
Impairment of intangible assets and investment	-	8.6
Gain on disposal of property, plant and equipment and right-of-use assets	-	(0.1)
(Increase) / decrease in inventories	(0.3)	0.5
(Increase) / decrease in trade and other receivables	(7.8)	7.8
(Decrease) / increase in trade and other payables	(4.0)	2.4
Net cash generated from operating activities	59.9	66.9

10. Financial Liabilities – Borrowings

	2021 £'m	2020 £'m
Non-current		
Bank loans – secured	134.0	93.0
Deferred financing costs	(0.3)	(0.5)
	133.7	92.5

At 31 December 2021, the bank debt was due to The Royal Bank of Scotland plc, Barclays Bank plc, Bank of Ireland, Clydesdale Bank plc and Allied Irish Bank and was secured by a fixed and floating charge over the assets of the Group. Under the bank facility the Group was required to meet quarterly covenant tests in respect of interest cover and leverage.

On 18 January 2022, the Group extinguished its financing arrangement in place at 31 December 2021, and replaced it with a new £200 million revolving credit facility

All covenant tests were met during the year and the Directors expect to continue to meet the covenant tests under the new facility.

Analysis of net debt	**2021 £'m**	2020 £'m
Cash at bank and in hand	32.9	26.4
Bank loans due within one year	-	-
Bank loans due after one year	(133.7)	(92.5)
	(100.8)	(66.1)

11. Post Balance Sheet Events

On 18 January 2022, the Group extinguished its £160 million financing arrangement in place at 31 December 2021, and replaced it with a new RCF which runs to 30 April 2025, providing borrowing facilities of up to £200 million plus a further uncommitted accordion of £50 million. The Group has significant headroom within its borrowing facilities which provides flexibility to invest as opportunities arise.