Restore
plc

Strong. Growth.

Annual Report for the year ended 31 December 2018

Contents

The UK leader in Document Management and Business Relocation services

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

Highlights

"Another year of progress with a ninth successive year of double-digit earnings per share growth. Restore is an increasingly important operator in the UK office services market."

+14%

£195.5m
REVENUE (£'M)

+20%

£37.5m
ADJUSTED PROFIT BEFORE TAX* (£'M)

+12%

25.2p
ADJUSTED BASIC EARNINGS PER SHARE* (P)

+20%

6.0p
DIVIDEND PER SHARE (P)

Operational highlights

- Acquisition of TNT Business Solutions
- 3% organic growth in core Restore Records Management revenues despite high box destruction volumes
- Restore Records Management capacity utilisation at optimal levels
- Major investment in four new premises
- Eight incremental acquisitions
- Reduced involvement in Printer Cartridge Recycling

Financial highlights

- Group revenue up 14% to £195.5m
- Group adjusted profit before tax up 20% to £37.5m
- Adjusted operating margins up to 21.1% from 19.6%
- Adjusted basic earnings per share up 12% to 25.2p
- Total dividend up 20% to 6.0p per share
- Statutory profit before tax up 112% to £21.0m

*Before discontinued operations, amortisation of intangible assets, exceptional items and share-based payment charge (see page 19 for reconciliation)

Overview

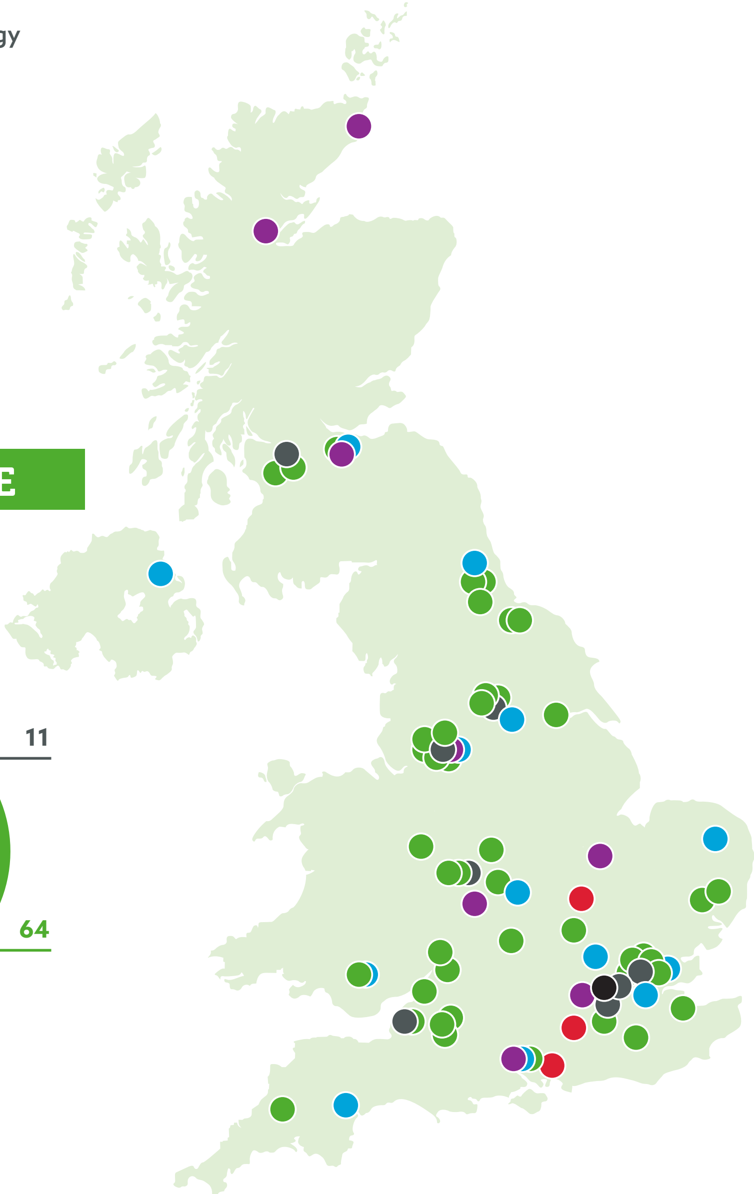
At a glance

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

We provide safe and secure services in:

- Document storage through **Restore Records Management**
- Document shredding through **Restore Datashred**
- Scanning through **Restore Digital**
- Commercial and workplace relocation through **Restore Harrow Green**
- IT lifecycle management through **Restore Technology**

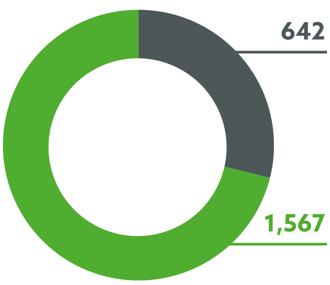
All of our businesses have a similar channel to market and operate on the same Customer Relationship Management system, which further binds our businesses together.



FULL UK COVERAGE WITH OVER 75 STORAGE AND PROCESSING CENTRES UK WIDE

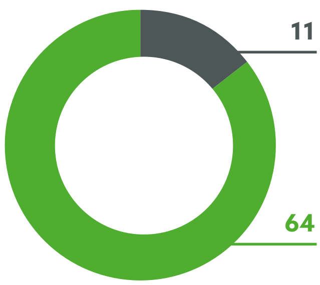
Restore plc has 2 divisions:

- Document Management
- Relocation



2,209

TOTAL EMPLOYEES AT DECEMBER 2018



75

TOTAL SITES

Strong.

We have predictable, recurring revenues

This is particularly true of our records management business which accounts for around 70% of Group operating profit. The 20 million boxes we store for our customers produce consistent, steadily growing revenue streams which underpin our Group profit and cash generation.

We have attractive operating margins

In 2018, our operating margins were 21.1%, up from 19.7% in 2017. These operating margins reflect the complex and mission-critical nature of our operational services. These services are specialist and capital intensive to set up. They are important to our customers' day-to-day operations but cannot be performed effectively in-house.

We hold strong market positions

In 4 out of 5 business streams, we are either the UK market leader or the number 2. Our market position in the core records management business has been further strengthened by the acquisition of TNT Business Solutions. Scale is important in our business, not just in terms of efficiency but also in reassuring our customers who require the highest standards for the sensitive services we supply.

We know our market

We have remarkable penetration and knowledge of the UK office market. We understand how UK offices work, we know who the decision makers are and we tailor our services to this particular market.

We are well-invested

We have full coverage of mainland Britain for all of our services. We have consistently improved the quality of our operating sites. In 2018, we relocated our Crayford and Scotland shredding sites to brand new facilities. We did the same for our main IT Lifecycle site in Bedfordshire as well as for Restore Harrow Green's storage facilities in East London.

We are strongly cash-generative

Records management businesses require significant time and investment to establish, but once established there is a very low level of maintenance capital expenditure, resulting in very high cash conversion of EBITDA. Although Restore Datashred and Restore Digital have appreciable maintenance capex, across the Group as a whole most capex is required only at times of growth particularly given our recent investment.

2017	£172.0m
2018	**£195.5m**

REVENUE (£'M)

2017	£31.3m
2018	**£37.5m**

ADJUSTED PROFIT BEFORE TAX* (£'M)

Growth.

We have delivered a high-growth strategy and can deliver more

From being a minor records management business with a small scanning operation eight years ago, Restore has become a key operator in the UK office services market. We have healthy market positions in all of our businesses and they have the opportunity to continue to grow significantly.

We have delivered sharp increases in earnings per share

There has been double-digit growth in adjusted earnings per share since the Group returned to profit in 2010. Adjusted EPS have increased from 2.7p in 2010 to 25.2p in 2018.

We have delivered strong dividend growth

Our dividend has grown from 1.0p in 2011 to 6.0p in 2018. Despite this rapid growth, dividend cover is in excess of 4 times, facilitating further significant dividend growth.

Acquisition-driven growth has been underpinned by organic growth

Organic growth over the last 5 years has averaged 5%, despite much of our management focus being on the execution and integration of acquisitions. The markets in which we operate continue to show steady growth particularly given the importance of security in most of what we do.

Our experience of consolidating fragmented markets through acquisitions remain highly relevant

The bulk of our acquisitions activity over recent years has been centred around Restore Records Management where we are benefitting from effective integration and scale. While the scope for significant further market consolidation in records management is limited, we see considerable opportunity in the areas which we have been developing in recent years such as shredding (Restore Datashred), digitisation (Restore Digital), and IT recycling (Restore Technology).

We are well-invested for future growth

Significant recent investment in our operating sites means that we have the facilities to drive operational efficiency and grow revenues without requiring additional investment.

The increased scale of our business generates opportunities for future growth

As our business has grown, we have increased our penetration of the UK office service market. The critical mass that we have now achieved generates significant growth opportunities for cross-selling and driving additional activity through the channels to market we have established.

ADJUSTED BASIC EARNINGS PER SHARE* (P)

DIVIDEND PER SHARE (P)

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

Restore's core records management activities, which generate a significant majority of Group operating profit, have high levels of customer retention, reflecting many years of investment. This produces predictable revenues and profit streams which underpin Group performance. It has enabled us to develop our other activities which not only share a similar channel to market but also enjoy high levels of customer retention.

Chairman's Introduction

I am pleased to report another year of progress at your company, with a ninth successive year of double-digit earnings per share growth.

Overview

I am pleased to report another year of progress at your company, with a ninth successive year of double-digit growth in earnings per share. Restore is an increasingly important operator in the UK office services market. It is a leader in its primary activities and remains focused on providing complex, mission-critical services which generate good operating margins and strong visibility of earnings. The acquisition of TNT Business Solutions (TNT BS) in 2018 continues our track record of strengthening our position in our key markets.

Results

For the year to 31 December 2018, adjusted profit before tax was £37.5 million on revenue of £195.5 million, with revenue and profit up 14% and 20% respectively. Adjusted earnings per share increased by 12% to 25.2 pence.

Strategy

Restore's core records management activities, which generate the majority of Group operating profit, have high levels of customer retention, reflecting many years of investment. This produces predictable revenues and profit streams which underpin Group performance. It has enabled us to develop our other activities which not only share a similar channel to market but also enjoy high levels of customer retention. In addition to our position as the second largest records management business in the UK, we are the market leader in office relocation and one of the two market leaders in shredding and bureau scanning. We are also building a strong presence in the IT recycling sector. With a similar customer base, bound together by a single brand and a Group-wide customer relationship management system, we have an excellent platform from which to continue to strengthen our position.

Health and Safety

We continue to focus on improvements in Health and Safety across our Group businesses and prioritise the safety of our people above all else. Tragically, there was a fatality at Restore Datashred in October 2018. Our thoughts are with the family, friends and colleagues who have been deeply affected. Amongst other actions, we have undertaken a detailed internal investigation and a third party is currently undertaking a Health and Safety review of all our operational sites.

Board Changes

We welcome Charles Bligh and Susan Davy to our Board. Charles joined the Board in March 2019 and is taking on the role of CEO from Charles Skinner at the end of March. Susan Davy joined the Board as a Non-Executive Director in January 2019 and will succeed Stephen Davidson as Chair of the Audit Committee when he leaves the Board at the end of March. I would like to thank Stephen for his wise counsel and incisive contributions to the Board over the last 5 years.

I would also like to thank Charles Skinner on behalf of the Board for his enormous contribution over the past 10 years. He has been instrumental in transforming Restore from a shell company into one of the most successful constituents of AIM and an important and exceptionally well-positioned provider of UK office services.

People

Restore's business philosophy is based around decentralised and empowered operating companies. In the business services sector, our Group's success is tied inextricably to the capability, attitude and enthusiasm of our people at every level of our operations. Our strong performance and ability to grow reflects these qualities being shown by our people. I thank them all for their commitment over the last year and look forward to them continuing to share in the success of the Group.

Dividends

Your Board is recommending a final dividend of 4.0 pence, payable on 5 July 2019. The total dividend for the year is 6.0 pence, a 20% year-on-year increase. This reflects the Board's firm intention to follow a progressive dividend policy. Dividend cover is in excess of four times underlying earnings.

M Towers

Martin Towers

Chairman
18 March 2019

Our divisions

Document Management

REVENUE (£'M)

£147.6m

(2017: £126.9m)

+17%

OPERATING PROFIT (£'M)

£38.5m

(2017: £31.0m)

+24%

Restore Records Management

2018 REVENUES

£86.5m

Storage and retrieval of hard copy documents

Records management is our largest business stream, accounting for the majority of Group operating profit. Roughly three-quarters of its revenues are generated from storage charges for physical documents, typically held in cardboard boxes. We hold approximately 20 million boxes and box equivalents where our customers store their records in individual files rather than in boxes. We also store datatapes and other material, including heritage items for the museum sector. There are other related revenue streams, notably flat pack boxes, delivery and collection charges. We also generate increasing revenues from project work where customers are looking to review their records management requirements and appreciate the range of services the Restore Group can provide.

We operate from 45 sites across the UK, typically from modern, large industrial units. The key principle of offsite records management is that storage costs are appreciably cheaper than the customers' own premises. We do not need prominent sites and the volume of our transport activities means that low rent costs are more important than being particularly accessible to major transport links. We also operate out of some unconventional but effective sites such as our underground facility, a former mine in Wiltshire, and former aircraft hangars in both Oxfordshire and Suffolk.

No.2
UK MARKET POSITION

Capacity utilisation is a key element in optimising efficiency. Our current capacity utilisation is around 93% which we believe is optimal. We are also constantly looking for opportunities to improve the quality and reduce the cost of our property. Recent examples include the closure of our Motherwell site when we had an opportunity to surrender the lease and the current extension of our facility in Rainham to replace more expensive but less suitable facilities when the leases come to an end.

The sunk costs of establishing a records management business are significant as it takes considerable time to build a customer base and much of the overhead costs needs to be in place while this is undertaken. Once established, records management businesses have very strong visibility of earnings: customers have a long-term need and it rarely makes sense for them to change suppliers given the associated cost of such a move and the related disruption. This creates high barriers to entry particularly in the current maturer phase of market development where most businesses of appropriate scale have an existing records management supplier. For a larger operator such as Restore, these high barriers to entry are reinforced by efficiencies of scale and the investment required to meet increasingly high regulatory standards.

Records management is a strongly cash-generative business. Much of its depreciation cost relates to the sunk cost of fitting out facilities where there is little need for replacement over time.

We are comfortably the second largest records management business in the UK. It is a market that can be expected to continue to grow over the coming years with many of our customers continuing to see the benefit of having paper documentation in their processes. There is also considerable scope for the parts of the public sector who currently manage their records in-house to outsource this function. Our recent acquisition of TNT BS where we work closely with many public sector customers to optimise their records management processes makes this an area of particular focus for us in the medium term.

Restore Datashred

No.2
UK MARKET POSITION

Secure shredding and recycling

We operate 12 paper shredding centres across the UK with 200 collection and mobile shredding vehicles. We shred and recycle 100,000 tonnes of paper and other material annually. Sales are generated from two sources:

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

Demand for secure destruction continues to grow, particularly to meet the latest General Data Protection Regulations which came into force last year. Recent investment has included two new sites in 2018, including our flagship site at Crayford in South-East London.

Restore Datashred is one of the two leaders in the UK shredding market. This is particularly important in a sector where the key factor driving profitability is route density: the more customers a shredding business has, the more efficient its collection scheduling should be and hence its profitability. It is a highly complementary service to our other activities with most of our Group customers having a shredding requirement.

Restore Digital

No.2
UK MARKET POSITION

Document digitisation

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

We operate from 7 sites across the UK as well as at several facilities on our customer sites. Much of our work is of a recurring, contracted nature such as scanning exam papers and major long-term projects such as the digitisation of health records.

Restore Digital has grown tenfold over the last 8 years to become one of the largest scanning businesses in the UK. This enables us to carry a significant level of resource to deliver on large complex projects. We see significant opportunity for such major digitisation projects, including from our records management customer base.

Our divisions
Relocation Division

REVENUE (£'M)
£47.9m
(2017: £45.1m)
+6%

OPERATING PROFIT (£'M)
£5.8m
(2017: £5.3m)
+9%

Restore Harrow Green

No.1
UK MARKET POSITION

Workplace relocation

Restore Harrow Green is the UK's leading office removal business with a focus on high-level corporate workplace relocations, undertaking over 350,000 desk moves a year. We also provide specialist relocation services to customers such as the Ministry of Defence, as well as undertaking international moves for individuals. As part of our services, we store furniture and other items and also provide furniture recycling.

We offer full national coverage with 8 branches across the UK although the largest market is in London. While we undertake many major one-off moves, the majority of business derives from regular reconfigurations from existing customers, who include many of the leading commercial institutions. It is a demanding market as success is based on sophisticated logistics and complex project management to meet customers' mission-critical requirements. These sensitivities and the importance of familiarisation means that customer relationships tend to be close and long term. The strength of Restore Harrow Green's customer base has consistently provided opportunities for other parts of the Restore Group.

Restore Technology

Top 10
UK MARKET POSITION

IT Lifecycle asset management including IT recycling and relocation

Building on its historic roots in IT recycling, Restore Technology increasingly takes responsibility for our customers' IT hardware throughout its working life. As part of this, it now incorporates our IT relocation business and offers configuration and deployment services as well as moving and support. We have also recently acquired an electrical equipment (WEEE) recycling business to broaden our offering in line with customer need.

Restore Technology has a strong customer base, particularly in the insurance and financial sectors, but the market it operates in is highly fragmented. Customers are reluctant to switch from an existing supplier, but many of these suppliers do not have the resources to keep up with rising industry standards and compliance. We view this as an excellent market opportunity and have invested in a new flagship site in Bedford to capitalise on this. We have additional facilities in Surrey and Portsmouth.

Restore Technology continues to work closely with Restore Harrow Green and its focus on security and custody, as well as the shared customer base, links it strongly to the Document Management division.

Strategic Report

Our business model and strategy

We provide inter-related office support services to customers throughout the UK. We seek to grow our market share and expand the services we offer to create value that is shared with our investors and used to fund continued growth.

Operate in attractive markets with good margins

Build market share through:
- Acquisitions
- Investment
- Leveraging group customer base

Increase operating margins through:
- Scale
- Synergies

Share value created with shareholders

Reinvest in:
- Existing businesses
- Entering closely-related markets

Our Business Philosophy

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

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

Our Key Resources and Capabilities

Competitive advantage through our scale, tight cost control, UK focus and market knowledge

- Longstanding customer relationships
- Nationwide coverage
- Motivated, capable people
- Efficient processing assets across the UK
- Track record in integrating and improving acquisitions

+28%

COMPOUND ANNUAL GROWTH RATE SINCE 2011 IN REVENUES

+29%

COMPOUND ANNUAL GROWTH RATE SINCE 2011 IN EARNINGS PER SHARE

Our Customers' Needs

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

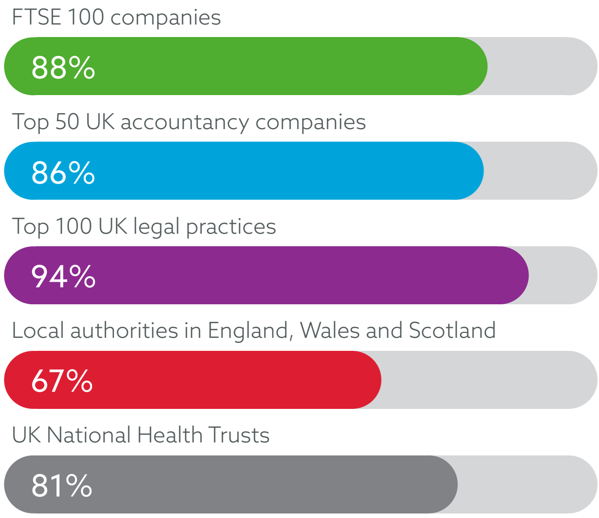
Our Acquisition Strategy

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

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

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

Our customers include



Acquisitions in the year

- **Scanning Direct**
  January 2018
- **Papershrink**
  January 2018
- **TNT Business Solutions**
  May 2018
- **ORS Ltd**
  June 2018
- **Spinnaker Waste Management Ltd**
  August 2018
- **Function Business Relocation Ltd**
  October 2018
- **Safe-Shred UK Ltd**
  October 2018
- **Green Magnet**
  October 2018
- **Document Capture Co.**
  October 2018

“We now have a sharply improved offering for the public sector where there still remains scope for outsourcing records management and related services.”

Chief Executive’s statement

“In my tenth and final Annual Statement, I am pleased that Restore has an excellent platform for further growth in the UK office services market.“

Results

For the year to 31 December 2018, profit before tax, exceptional items, amortisation and share-based payments was £37.5 million, a year-on-year increase of 20% (2017: £31.3 million). Revenue was £195.5 million (2017: £172.0 million). Earnings per share on an adjusted basis were up 12% at 25.2 pence (2017: 22.5 pence).

The eight-month contribution from the acquisition of TNT BS in May 2018 was the primary driver of the increase in revenues and profits. It has also contributed to the increase in Group adjusted operating margins from 19.7% to 21.1%, with most of its revenues deriving from records management which generates the highest operating margins of our activities. Including TNT BS, our core records management business contributes approximately 70% of our operating profit at current runrates. Its strong earnings visibility underpins the quality of our earnings, and also enables us to continue to develop our other closely-related businesses.

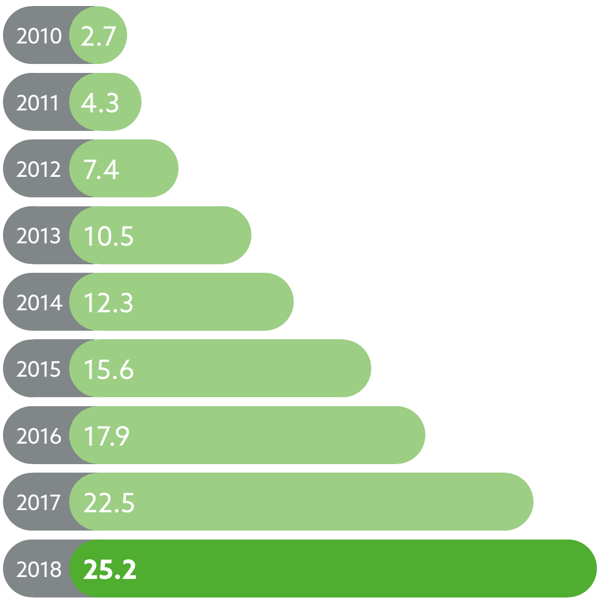
Document Management Division

Our Document Management division comprises Restore Records Management, Restore Datashred and Restore Digital. It increased revenue by £20.7 million to £147.6 million. Operating profit increased £7.5 million to £38.5 million. As noted above, these figures include an eight-month contribution from TNT BS.

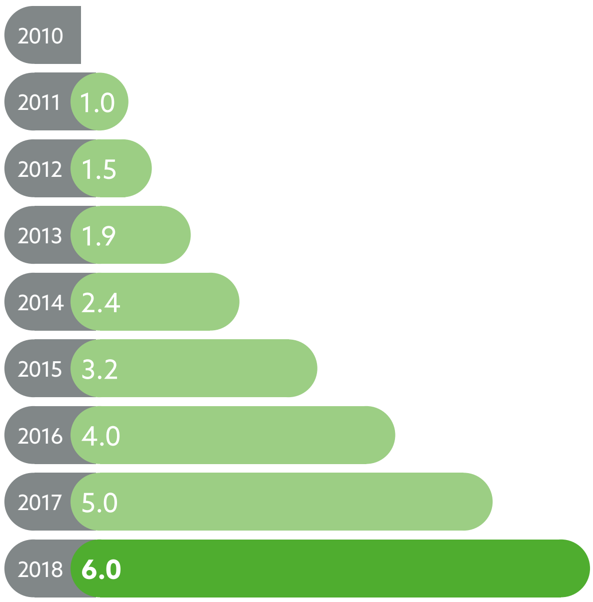
Restore Records Management continued to grow steadily with organic revenue growth of 3%. Revenue in the year, including an eight-month contribution from TNT BS, increased to £86.5 million from £68.9 million. Operating margins also increased. We now store approximately 20 million boxes or box equivalents and the base of recurring revenues this provides remains the bedrock of the Group.

A key indicator of growth is annual net box growth, which continued to remain positive despite higher than average destruction and removal rates in the course of the year. We attribute this to the General Data Protection Regulation, introduced in May, which encouraged many of our customers to review their criteria for storing documents.

ADJUSTED EARNINGS PER SHARE (P)



DIVIDEND PER SHARE (P)



Chief Executive's statement continued

We believe this resulted in a certain volume of destructions which are one-off and unlikely to repeat. The box intake from two major business wins secured in 2018 is on track to arrive within the first half of 2019, such that net box growth can be expected to improve in the current year.

Occupancy rates continue to remain at around 93% which we consider to be the optimal level. We continue to actively manage our property portfolio to maximise storage cost efficiency. Examples of this in the current year include the closure of our Motherwell site, where we surrendered our lease and were thus able to increase our occupancy rates in Scotland. We have continued to develop our low-cost storage sites with the final stages of the development of our underground freehold site in Wiltshire being completed where an additional 400,000 box slots have been created. We have also taken on an additional four hardened aircraft shelters at Upper Heyford in Oxfordshire, including one dedicated to heritage storage. We have started to build a new facility at an existing site in Rainham which will generate an additional 600,000 low-cost box slots, giving us the opportunity to vacate more expensive premises in the South East in due course.

Most of the focus in Restore Records Management in the second half of the year was on the integration of TNT BS. This was delayed by over three months while the Competition & Markets Authority investigated the acquisition, before deciding in August not to refer it. Compared to previous major acquisitions in records management, the extent of the integration activity is less than usual, with the exception of IT, where the bespoke nature of several contracts requires an increased focus. This integration process is on track. TNT BS has a strong presence in the public sector, notably through its long-term Pan Government Records Management Contract under which we provide long-term records management services to several large government departments. Two of its three large sites predominantly service the public sector and there is little need to change their operation. The third major site, is adjacent to one of our existing sites, has been integrated into our operations. We are in the process of closing two smaller sites and this should be completed by the end of 2019.

As part of a review of our records management sales activity following the acquisition of TNT BS, we have established a dedicated public sector sales function. Almost all private sector entities with a requirement for document storage have now outsourced this service. In contrast, the outsourcing of document storage within the public sector remains immature, and we continue to believe that it provides the Group with a significant new business opportunity on which we are uniquely well-positioned to capitalise.

We continue to look for further acquisitions to consolidate our position as one of the two major records managers in the UK.

Restore Datashred, our secure shredding and recycling business, increased revenues from £39.4 million to £41.8 million but operating profits fell. Contribution at the gross profit level increased but year-on-year central support costs were significantly higher as we completed the transition to a fully decentralised model with the business having all of its own infrastructure. The last two years have been a period of major change, including the introduction of a new operating system, as well as several changes in operational management and sales team structures. We believe we now have the right structures in place, together with much improved management information, and can now focus on increasing operating margins through improved efficiencies. Current operational headcount has decreased year-on-year and we are well placed to take increasing advantage of our market-leading position in the UK shredding market.

As part of this, we invested significantly in Restore Datashred's operating facilities during 2018. We have a new site at Crayford, South East London which we believe to be the largest dedicated confidential shredding plant in Europe, replacing an ill-configured facility that had become unsuited to the high volumes it was servicing. We have also relocated our site in Livingston, Scotland and closed our site in Telford, moving its activities to our sites in Manchester and Rugby. We also acquired Safe-Shred, a shredding business in St Helens in October and moved its business to our site in Manchester.

Chief Executive's statement continued

Case Study: Acquisition Of TNT Business Solutions

The acquisition and integration has further increased the critical mass of our records management.

Background

TNT Business Solutions ("TNT BS") was a trading subdivision of TNT UK Limited whose ultimate owner is FedEx Corporation. The business had been established in 2000 largely to operate the major Pan Governmental Records Management Contract ("PGRMC") where the primary client is the Ministry of Defence but users include other government departments. In 2017 we approached the parent company who decided that the business had become non-core. We acquired TNT BS in May 2018 for £88 million. This was funded by a £50 million equity placing and new debt facilities.

The Business

TNT BS was predominantly a records management business, operating from five sites in the Midlands and the outskirts of London, including two freehold sites at Swadlincote, Derbyshire and Thurrock, Essex. These sites were generally operating at close to full capacity employing over 250 staff. There was also a small scanning business.

Customers

Under the PGRMC, TNT BS has been providing records management services to large parts of government from two state-of-the-art facilities in the Midlands. While Restore Records Management has many public sector clients, this represents a step change in our penetration of this sector. TNT BS had also developed some very sophisticated systems such as the services supplied to a large NHS Trust in the Midlands where they effectively act as the hospital's in-house records management function with medical files being supplied several times a day. The London facilities were focused predominantly on more standard records management services.

Post-Acquisition Management

There was no need to make changes to the teams and physical operations at the two main facilities serving the public sector. We have been investing heavily in the IT transition which is progressing as planned. The acquisition gave us the opportunity to overhaul our sales structure with the former TNT BS team taking on responsibility for our sales force targeting the public sector. The main London site has been fully integrated into the regular records management business. The two smaller sites at Netherfield in Nottingham and Beckton in East London are being closed this year as their leases come to an end. The scanning element of TNT BS has largely been integrated into Restore Digital, apart from certain "Scan on Demand" elements.

Strategy

The acquisition and integration has further increased the critical mass of our records management and we are seeing synergies arising from the integration of the London site and the scanning element, as well as the closure of the two smaller sites. As importantly, we now have a sharply improved offering for the public sector where there still remains further scope for outsourcing records management and related services.

Chief Executive's statement continued

We believe the medium-term prospects for Restore Datashred remain strong. It fits logically with our other operations, sharing a similar channel to market with increasing opportunities for cross-selling. The UK market for shredding continues to grow, particularly as smaller enterprises become increasingly aware of the importance of secure destruction. Demand for high-quality office paper for recycling also remains strong. It is a route-density business where a well-organised market leader has significant scale advantages over smaller competitors. We remain focused on delivering a near-term improvement in operating margins, and continue to see significant scope for consolidating what is currently a fragmented market.

Restore Digital, our scanning business, saw revenues increase from £18.6 million to £19.3 million. Revenues for part of the year include the scanning turnover from TNT BS, now integrated within Restore Digital. The scanning business of TNT BS had been loss-making at the time of the acquisition. Operating margins increased but still remained below those achieved in both Restore Records Management and Restore Datashred.

Our scanning revenues have increased tenfold since 2010, primarily as a result of several acquisitions made in recent years having a scanning component. We continued to execute effectively our major long-term contracts with customers, such as RM plc for whom we scan exam papers, and the Nuclear Decommissioning Authority. Our general scanning activities were slightly slower than in the previous year with some large projects coming to an end and not being replaced by new work. Although the majority of Restore Digital's work is recurring, including hosting and support contracts, one-off projects are a key part of its revenues. We expect to see significant digitisation projects being undertaken over the coming years, and believe we are well-positioned to win such contracts given the scale of our operations. The close relationship to Restore Records Management is a key advantage in winning business from our existing records management customer base when they have a digitisation requirement.

During the year, we acquired ORS, a scanning bureau based in Southampton giving us additional coverage, and three other small businesses which were immediately integrated into our existing operations.

Relocation Division

Our Relocation division comprises the leading UK office relocation business, Restore Harrow Green, and Restore Technology which manages customers' IT assets including their relocation and recycling. The division increased revenue from continuing operations by £2.8 million to £47.9 million. Operating profit increased by £0.5 million to £5.8 million. These numbers exclude ITP, our toner cartridge recycling business (see below).

Restore Harrow Green continued to grow revenues and profits. Revenues increased by £2.1 million to £37.6 million and double-digit operating margins were achieved. There were few major moves but there was a good level of ongoing activity by our large regular customers and we secured long-term contracts with Fidelity International, Ove Arup and Scottish Police Authority. Our new storage facility in East London is fully operational and its utilisation moved to optimal levels following our acquisition of Function Business Relocation UK, a London-based removal business, whose storage business we have consolidated into our new site.

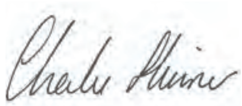
Restore Technology saw revenues increase by £0.7 million to £10.3 million. It had a particularly strong 2017 and we were pleased with its performance in 2018 against this strong comparator. Operating margins fell slightly as a result of a change in product mix but we expect them to benefit from increased operational leverage as the business continues to grow in what is an exciting and immature market. The relocation of its main site to Bedford has been successfully executed and creates significant extra capacity as well as a more efficient operating environment. We acquired Spinnaker, an electrical equipment recycler in Portsmouth in August. The bulk of its activity is in IT but it also gives us the capability to recycle other electrical equipment for which our customers have considerable demand. We also acquired another small recycler which has been integrated into the former Spinnaker business.

In February 2019 we completed the sale of ITP, our toner cartridge business to Ink and Toner Recycling Limited in exchange for a 40% minority stake in Ink and Toner. Accordingly ITP has been treated as a discontinued activity. The sale of ITP enables us to focus on the core IT hardware lifecycle management activities within Restore Technology. The combination of ITP and Ink and Toner creates an enlarged business that is better placed to grow and deliver increased value for Restore.

Outlook

As I hand over to Charles Bligh after ten years as Chief Executive, Restore remains well positioned to build upon the gains made in 2018, with the Group's broad base of recurring revenues and strong cash generation providing a stable platform for continued growth.

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



Charles Skinner
Chief Executive
18 March 2019

Group Finance Director's statement

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

Profit Before Tax

Profit before tax from continuing operations for the year ended 31 December 2018 was £21.0 million (2017: £9.9 million). In addition to the robust performance of the core records management business the significant year-on-year increase in profitability can be attributed to:

- The part year contribution resulting from the acquisition of TNT BS
- A £7.0 million reduction in exceptional costs.

These increases have been partially offset by increases in interest and head office costs.

The reduction in exceptional costs was driven by the non-repetition of a £7.2 million cost relating to the cash settlement of Executive Incentive Plan share options in 2017. In 2018 total exceptional costs were £8.5 million (2017: £15.5 million). Further analysis of exceptional costs follows later in this report.

Amortisation of intangible assets for the year was £7.0 million (2017: £5.3 million) with the increase attributable to the higher carrying value of intangible assets.

Subsequent to the year end the Group disposed of its printer cartridge recycling business. As a result the activities of this business have been treated as discontinued. During the year the Group also reviewed the carrying value of the intangible assets for this business and concluded that it was appropriate to impair the full amount of the carrying value of these assets (£2.5 million). The loss before tax on discontinued operations totalled £2.8 million (2017: £0.2 million) reflecting the impairment and an operating loss of £0.3 million.

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

Continuing operations	2018 £'m	2017 £'m
Profit before tax	21.0	9.9
Amortisation of intangible assets	7.0	5.3
Exceptional items	8.5	15.5
Share-based payments charge	1.0	0.6
Adjusted profit before tax	37.5	31.3

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

Continuing operations	2018 £'m	2017 £'m
Operating profit	24.8	12.4
Amortisation of intangible assets	7.0	5.3
Exceptional items	8.5	15.5
Share-based payments charge	1.0	0.6
Adjusted operating profit	41.3	33.8
Depreciation	6.9	6.0
Adjusted EBITDA	48.2	39.8

Earnings Per Share (Eps)

Continuing operations	2018 £'m	2017 £'m
Basic adjusted earnings per share from continuing operations (pence)	25.2p	22.5p
Basic earnings per share from continuing operations (pence)	13.0p	6.9p

Basic adjusted earnings per share are calculated as adjusted profit for the year less standard tax charge divided by the weighted average number of shares in issue in the year. Basic earnings per share reflect the actual tax charge.

Group Finance Director's statement continued

Exceptional Costs

Continuing operations	2018 £'m	2017 £'m
Acquisition – transaction costs	2.4	0.5
Acquisition related restructuring costs	4.6	7.2
Other exceptional	1.5	7.8
Total	8.5	15.5

As part of the Group's strategy is to grow through acquisition it is essential that acquired businesses are restructured to integrate them fully into the Group's operations and deliver anticipated returns. In order to give a suitable representation of underlying earnings it is appropriate to show these costs as exceptional along with any other items which are exceptional in nature. In the year the Group has completed the significant acquisition of TNT BS and also completed eight smaller bolt-on acquisitions.

Transaction costs include stamp duty costs and transitional service arrangement fees, in addition to the cost of legal and professional fees incurred as part of the acquisitions. In 2018 this included £1.0 million of stamp duty payable on completion of the TNT BS acquisition and £0.4 million relating to the CMA enquiry into the transaction.

Acquisition related restructuring costs were £4.6 million in 2018, a reduction of £2.6 million on 2017. As noted above these primarily relate to the TNT BS acquisition and include:

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

Other exceptional costs of £1.5 million include £0.7 million relating to the non-cash write down of fixed assets relating to the closure of our site in Motherwell. In addition the National Insurance on the exercise of share options totalled £0.6 million in the period.

Interest

Net finance costs amounted to £3.8 million (2017: £2.5 million). The increase is a result of higher average levels of debt experienced during the year largely as a result of the TNT BS acquisition.

Taxation

UK Corporation Tax is calculated at 19% (2017: 19.25%) of the estimated assessable profit/(loss) for the year. The UK Corporation Tax rate will reduce to 18% on 1 April 2020; accordingly, these rate reductions have been reflected in the deferred tax balance which forms part of the statement of financial position.

Cash Flow

Net cash inflow from operations increased by 106% to £32.4 million (2017: £15.7 million). Despite the significant year on year increase the performance is suppressed by cash outflows related to acquisition activity which could be considered investment costs by nature. These include:

- £7.0 million cash impact of exceptional costs noted above which are directly related to completion of acquisitions and subsequent restructuring
- £2.4 million working capital outflow related to the acquisition of TNT BS. The transaction was structured as an asset purchase so the consideration was adjusted by the level of working capital investment required post completion.

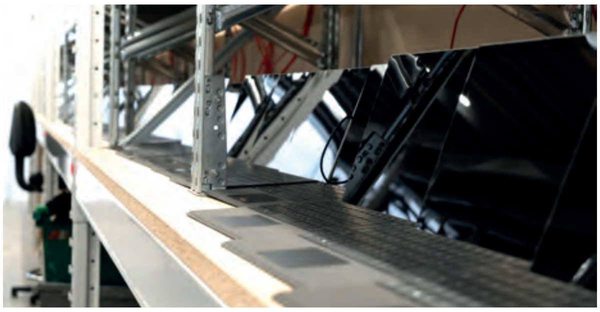
Net working capital usage in the year totalled £7.1 million with the most notable movements being:

- £2.4 million of working capital on the TNT BS acquisition already highlighted
- Movement on long term provisions of £1.1 million
- Growth related working capital estimated at £1.1 million
- Timing differences on accruals of £1.5 million.

Capital expenditure in 2018 totalled £10.1 million (2017: £5.3 million). In addition to the continued investment in the records management business and maintenance capex in the digital and shredding businesses the Group made significant investments in several areas in 2018 with a view to increasing the scale and capability of its operations. Most notably:

- £2.0 million in Restore Datashred on two new sites in London and Scotland
- £0.5 million on a new facility for Restore Technology in Bedford
- £0.4 million on a new facility and a refurbishment of an existing facility for Restore Harrow Green in London.

Group Finance Director's statement continued



Statement of Financial Position

Net assets increased to £216.0 million (2017: £155.9 million). The acquisition of TNT BS included two freehold properties in Derbyshire and Thurrock which have enhanced the tangible asset values of the Group and further strengthened the already resilient nature of the Group's financial position. Goodwill and intangibles at 31 December 2018 were £261.9 million (2017: £193.9 million).

Property, plant and equipment totalled £71.1 million (2017: £46.1 million), comprising the freehold properties, including those noted above, storage racking, operational equipment, vehicles and computer systems.

Net Debt

Net debt at the end of the year was £111.3 million (2017: £78.2 million) reflecting the TNT BS acquisition and eight further bolt-on acquisitions. The TNT BS acquisition was funded in part by the raising of new equity in the form of a placing of new shares and partly through the expansion of the Group's banking facilities. The existing banking facilities were restructured to a single £160 million RCF and two new lenders were introduced into the syndicate bringing the total number of lenders to four. The facilities extend through to November 2022 and in addition there is a £30 million uncommitted accordion facility. These facilities put us in a strong position to continue our growth strategy for the foreseeable future.

Total amount drawn against these facilities at 31 December 2018 was £123.3 million. The leverage of the Group as at 31 December 2018 was 2.1x pro-forma adjusted EBITDA. The Group has significant headroom in its balance sheet and combined with high levels of internally generated cash there is significant capacity to either continue to fund future acquisition activity, or rapidly reduce debt levels.

IFRS 16

IFRS 16 'Leases' was issued in January 2016. The Group will apply the standard from 1 January 2019 and will transition to IFRS 16 with the modified retrospective approach and prior year figures will not be adjusted.

As noted in the half year 2018 results it is expected that the application of this standard will have a material impact on Group's Financial Statements. Indicatively the changes can be summarised as follows:

- Net debt will increase by £130 - £155 million primarily reflecting the sizeable leasehold property portfolio of the Group. There will be a comparable increase in right of use assets
- EBITDA will increase by £18 – £21 million reflecting the reclassification of rental payments to interest and depreciation charges.

As a result the pro-forma lease adjusted leverage of the Group will optically increase by 1.2-1.7 x adjusted EBITDA as a result of the change in accounting treatment. In addition the increase in the non-cash interest charges resulting from the application of IFRS 16 is expected to reduce the Group adjusted profit before tax by up to 5%.

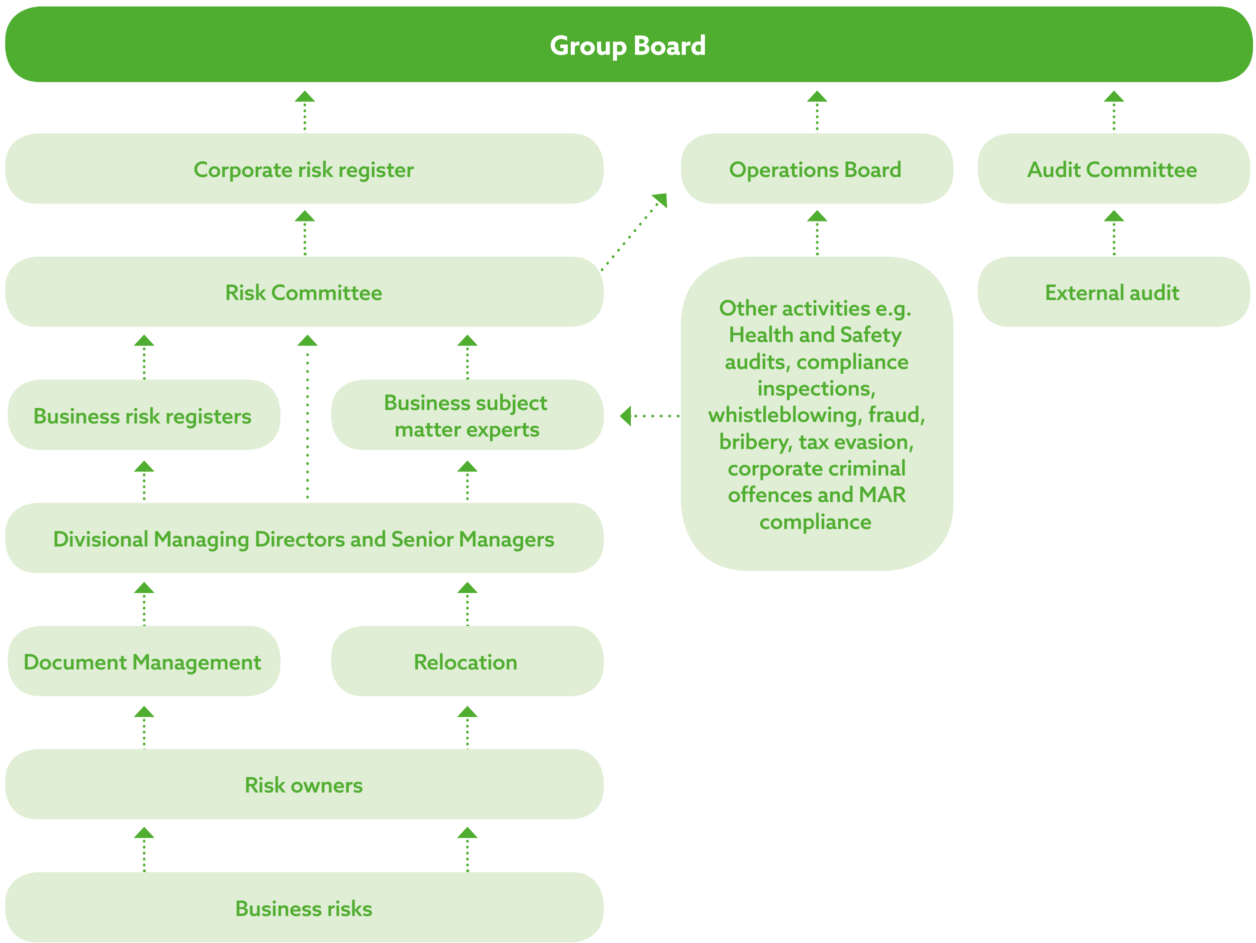
The debt covenants on the Group's borrowing facilities will be unaffected by the application of IFRS 16 as the covenant calculation are based on the accounting principles in place at the date the agreement was entered into. This reflects the fact that the cash-flow of the Group remains unaltered.

Adam Councell
Group Finance Director
18 March 2019

Risk Management

Our Risk Committee is chaired by Sharon Baylay. The Committee meets at least three times a year to discuss and continue to assess the Group's most significant risks. These include; people, property, infrastructure and IT, Health and Safety, financial, environmental, reputational and security risks. All divisions within the Group are represented and update their risk registers at every meeting recording the mitigating factors and actions in place for each risk.

The Committee is pro-active rather than re-active and seeks to understand the current and future risks within the Group and have a strategic plan in place should a potential risk be highlighted. The Committee reports to the Group Board and to the Operations Board who are ultimately responsible for overseeing the effective management of risk.

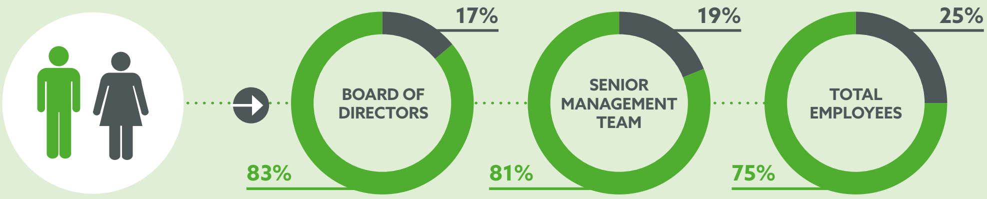


Principal risks and uncertainties

Risk	Potential impact	Risk mitigations
Finance and liquidity	Lack of liquidity driven by lack of profitability, failure to meet banking covenants or reduced appetite from banks to lend impacting the continuation of the strategy of the Group.	All of the Group's businesses benefit from high levels of recurring revenues and current trading is more than adequate to service financial obligations. Leverage is comfortable at 2.1x Pro-forma adjusted EBITDA. Historically the Group has not had any issues in raising capital to fund its acquisition strategy.
Systems, technology and cyber attack risk	Financial and operational impact of a loss of systems or operational data in one or more of the Group's operations impacting day to day services.	The Group has disaster recovery plans in place in all of its businesses which are reviewed at appropriate intervals. Systems data is stored in high security data centres and is fully replicated via a point to point network to secondary data centres where necessary.
Business property	Damage or loss of access to business property through fire, flood, terrorism, loss of power or services.	Regular risk assessments and audits undertaken to ensure risks are mitigated as far is practical. Insurance cover is maintained over business property and covers business interruption.
Market changes	Material change to business dynamics. Most notably any shift in the document storage market which results in a reduction in the volume of documents stored.	Business performances are monitored to identify any potential market trends to enable appropriate actions to be taken. In the event of a reduction in the storage of documents the Group expects to be able to manage its property portfolio down over a period of time in line with the nature of any such reduction.
Material increase in UK business property costs	Due to the high level of property costs in the Group, particularly in the records management business, a material increase in property costs could have a significant impact on the Group.	Increase in property costs are likely to have an impact across the markets that Restore operate in. As a result the Group expect to be able to pass on such increases in costs to our customers reasonably promptly.
HR and succession planning	Lack of succession planning across the Group for any potential key management positions.	Succession planning exercises have been undertaken for all of the key positions in the Group to identify potential internal development opportunities and where external appointments may be required.
Loss of confidential customer records	Potential financial and reputational impact of a loss of customer records/data.	The Group ensure all staff adhere to training guidelines and understand data protection legislation. Where appropriate vehicles are tracked and staff vetted. All of the Group's operations maintain accreditations appropriate to the activities undertaken. The Group also maintains adequate insurance for such events.
Injury or death through workplace accidents	As many of the Group's operations involve physical labour, use of machinery and transport, there is a potential exposure to accidents, including RIDDOR incidents.	The Group has well established training, accident reporting procedures, and processes in place to mitigate such risks. Following the fatal accident in Restore Datashred, the Group is currently undertaking a thorough review of Health and Safety protocol. Health and Safety is overseen by the Risk Committee and Group Board.

Corporate Responsibility statement

GROUP DIVERSITY AS AT 31 DEC 2018



Welfare and diversity

We seek to attract and retain the best employees so we can deliver the best service to our customers.

We aim to ensure our workforce is representative of society and that each employee feels respected and able to give their best. Our view is that encouraging diversity helps us achieve this and ensures we deliver the best service to our customers.

With increased scale comes the ability to offer greater stability, development and career opportunities to our people without losing the flexibility to treat people as individuals.

The Group is committed to equality and fairness and we do not discriminate on the grounds of gender, gender reassignment, marital status, race, ethnic origin, disability, sexual orientation, religion or age.

We have a number of welfare and diversity policies in place, including gender pay gap reporting, modern slavery and whistleblowing.

In the year we published details of our Gender Pay Gap across all divisions with over 250 employees for the first time. The latest figures can be found on our website **www.restoreplc.com**.

We have a whistleblowing policy across the Group that provides employees with guidance on how to raise concerns about fraud, security, unethical behaviour, Health and Safety, bullying, discrimination, bribery and corruption, data protection and any other matter they feel should be reported.

We are committed to preventing Modern Slavery across all parts of our business and supply chain. Our statement is on our website **www.restoreplc.com**.

Health and Safety

A third party is currently undertaking a Health and Safety review of all of our operational sites. The welfare of our employees is at the heart of our business and we take this responsibility very seriously.

Health and Safety is overseen by our Risk Committee and Group Board. We strive to improve our performance continually through new policies and procedures, audits, risk assessments, training sessions and toolbox talks.

We have regional or site based Health and Safety Committees which are attended by at least 3 employees, per Committee, on a quarterly basis. This encourages everyone's voice to be heard and we can monitor any concerns raised by employees. The Committees report into our Health and Safety Compliance Group which is a sub-division of our Risk Committee.

Health and Safety Incidents	Document Management		Relocation	
	2018	**2017**	**2018**	**2017**
Employee work months	15,706	15,611		
Employee work hours*			1,333,364	1,225,750
RIDDOR Events	12	10	7	8
Near Miss Events	23	23	7	4
RIDDOR Events per work month	0.08%	0.06%		
RIDDOR events per work hour			0.0005%	0.0006%

* Measured in hours due to the nature of the Relocation business.
RIDDOR – Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013.

Corporate Responsibility statement continued

80,000
TONNES OF PAPER SHREDDED

595,000
PAPER BRIQUETTES PRODUCED

450,000
IT ASSETS RECYCLED

Sustainability

As a Group, we are a major recycler. A large part of the services our businesses offer involves the secure disposal of office-sourced paper, media, archive box contents, IT equipment and furniture and we always commit to trying to hit our target of 0% landfill – for customers and for our own operations.

Our strong company values determine that we are good citizens and responsible curators of Earth's resources, so that energy conservation, waste management and the prevention of pollution are key considerations for us.

As such, we strive to:

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

In practical terms, this is expressed through areas such as:

Working with trusted organisations

- **The Carbon Trust** – we continue to follow the plan produced for us a number of years ago by the Trust to reduce our environmental impacts through recycling and reducing energy consumption
- **Planet Mark** – Restore Harrow Green worked hard to achieve a 32.8% reduction in carbon per employee (to 31 May 2018), and a 21.7% reduction in business travel. They have ambitious plans currently to reduce the business' overall carbon emissions by a further 5% this year.

Recycling

- **Restore Datashred** – produced and recycled 80,000 tonnes of paper in 2018, and 595,000 paper briquettes for manufacture into paper goods
- **Restore Technology** – processed 450,000 computer items, either refurbishing or stripping them down to component level so elements such as precious metals could be recycled
- **Group-wide** – we adhere to the EU directive regarding mixed waste and we recycle 95% of all waste.

Use of natural resources

- **Greener fleet** – across the Group, telematics, careful route planning and regular driver training all contribute to environmental performance, reducing running costs and our carbon footprint – and all measured through schemes such as FORS and Masternaut
- **Greener energy** – photovoltaic panels, smart sensors to reduce lighting costs and, in the Ipswich area, bio-energy supplied to two of our Records Management facilities from a local power plant that uses locally produced biomass to fuel it
- **Greener security** – we use Inergen™ Premier as the inert gas in our fire suppression system as it has the smallest carbon footprint possible
- **Archive boxes** – the boxes we use are made from 70% recycled, along with responsibly sourced FSC-certified raw material.

Corporate Responsibility statement continued

Buildings and infrastructure

- **Restore Records Management** – is in the process of building an extension to its depot in Rainham, East London. Photovoltaic panels and smart, low energy lighting will be one aspect of the modern building. Installing electric charging points for vehicles which we aim to run from the energy we produce ourselves is another
- **Electric charging points** – we are working in tandem with NewMotion, a Shell Group business, to build a smart, green network across the Group
- **Restore Technology** – in 2018, the business opened their flagship facility in Bedford. Solar panels with daylight harvesting capability, smart sensor lighting which is reducing energy usage by up to 70% and anti leak and water waste reduction procedures mean this building is as efficient and sustainable as we can make it.

In turn, we support our customers with their sustainability targets by helping them to:

- make more efficient use of their work space and public service facilities by helping create smart office settings and by storing records in remote premises
- speed up access to important stored records through file tracking software and scan-on-demand services, while saving on vehicle journeys
- reduce their carbon footprint by designing and implementing a digitisation programme whose aim is to radically reduce paper use, and increase their recycling targets
- contribute to charitable causes through donations of furniture, IT equipment and payments in lieu of cash-back programmes – a scheme both Restore Harrow Green and Restore Technology offer to their customers
- keep track of their environmental impact after every transaction through Restore Datashred's Environmental Report, available through their online customer portal. This report details how much paper has been recycled, how many trees have been prevented from being felled, and how much water and energy have been saved.

Detailed information about all our initiatives and ideas can be found on the part of our website dedicated to Corporate Responsibility
www.restoreplc.com/corporate_social_responsibility

Community and charitable initiatives

We care for the communities in which we work and take part in a number of Group-wide initiatives to ensure our presence is a positive one for our neighbours and colleagues.

For many years, teams from across the Group have worked together with Crisis at Christmas, donating clothing, toiletries, food, transport and their time to help the charity set up their shelters every December.

Each business in the Group supports charities and community groups with whom they have a personal connection. In 2018, Restore Harrow Green continued their working relationship with St Joseph's Hospice in London, carrying out the equivalent of two weeks' worth of voluntary work so that hospice staff could focus on their frontline work.

We support the PricewaterhouseCoopers Growing Talent project, which helps local unemployed participants find work. To date, over 30 employees have joined us, stayed, and developed their skills via this route.

Restore Records Management is a long-term supporter of the Surrey Care Trust, which provides learning, training, volunteering opportunities and support for people held back through disadvantage and hardship, and of the Willow Foundation, an organisation that helps people aged 16 to 40 who have been diagnosed with a life-threatening illness. On a micro scale, our records business sponsors kit and opportunities for a number of football teams around the country, including Lindfield Rovers U16s team in Sussex.

Early in 2018 Restore Datashred focused much of their efforts on fundraising for Share Tanzania, a young charity helping deprived and disabled street children in Tanzania's Moshi region, near Mount Kilimanjaro. Later in the year the team was instrumental in the donation of a new minibus to Greenwich Mencap, facilitating greater flexibility and wider opportunities for service users.

Over the past 12 months Restore Digital teams have involved themselves in a number of fundraising events for local branches of national charities. Underpinning this commitment to doing the right thing, the business has developed a volunteering policy, which encourages and enables Digital employees to give their time to causes close to their hearts.

Whether our people undertake business-led fundraising or their own, personal projects – many involving extraordinary physical and emotional effort – it is clear that Restore people are, as our company values state, 'good people'.

This Strategic report on pages 11 to 26 was approved by the Board of Directors on 18 March 2019 and signed on behalf by:

Charles Skinner
Chief Executive

Adam Councell
Group Finance Director

Governance

Board of Directors

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

Martin Towers

Non-Executive Chairman
Age 66

Martin was appointed Chairman in January 2018 having joined the Board as a Non-Executive Director in September 2017.

Martin is Non-Executive Chairman of Tyman plc, and Norcros plc.

Martin was Group Finance Director of Kelda Group plc from 2003 until 2008 and was previously Group Finance Director of McCarthy & Stone plc, The Spring Ram Corporation plc and Allied Textile Companies plc. Martin served as Chief Executive of Spice plc from 2009 until its sale to Cinven in 2010 and was Non-Executive Director of Homestyle Group plc from 2004 to 2006, KCOM Group plc from 2009 to 2015 and Senior Independent Director of RPC Group plc from 2009 to 2018.

Martin is Chairman of the Group's Nomination and Remuneration Committees and a member of the Audit Committee.

Charles Skinner

Chief Executive
Age 58

Charles Skinner was appointed Chief Executive of the Group in June 2009.

Charles was previously Chief Executive of Johnson Services Group plc and Brandon Hire plc, prior to which he was at SG Warburg, 3i plc and Editor of Management Today.

Charles has 20 years' experience as Chief Executive of quoted companies, all operating in the business to business service sector. He has a degree in Classics from Oxford University.

Charles will retire from the Group on 31 March 2019 and will be succeeded by Charles Bligh.

Charles Bligh

Chief Executive
Age 51

Charles Bligh was appointed Chief Executive of the Group in March 2019.

Charles was previously Chief Operating Officer and main Board Director at TalkTalk Telecom Group plc, which he joined in 2011. He previously spent 20 years at IBM Corporation in various countries, culminating in his role as Vice President, Commercial Sector in UK and Ireland.

Charles is also a trustee of the National Children Orchestras of Great Britain.

Adam Councell

Group Finance Director
Age 40

Adam Councell was appointed Group Finance Director in June 2012.

Adam began his career at Whitbread plc in the accounts department of The Pelican Group restaurant division before moving to the Milward Brown Precis subsidiary of WPP plc. He joined Rentokil Initial plc in 2003, where he held a variety of finance posts including Commercial Director of the Business and Industry division and Finance Director of Catering and the combined Catering and Hospitals division.

His last role at Rentokill was Finance Director of the UK Business Services division, supervising eight businesses with a combined turnover of £250 million.

Board of Directors continued

Sharon Baylay

Senior Independent Director, Age 50

Sharon joined the board in September 2014.

Sharon is a Non-Executive Director of ITE Group plc, the listed organiser of international trade exhibitions and conferences, and Ted Baker Plc, the global lifestyle brand. She has previously been Marketing Director and main Board Director of the BBC, responsible for Marketing Communications and Audiences, and spent much of her career at Microsoft where she was Board Director of Microsoft UK and Regional General Manager of MSN International. Sharon is also a holder of the FT/Pearson Non-Executive Director Diploma and a Fellow of Chartered Institute of Marketing.

Sharon is a member of the Group's Nomination, Remuneration and Audit Committees and is Chairperson of the Risk Committee.

Stephen Davidson

Non-Executive Director Age 63

Stephen joined the Board in January 2014.

He is Non-Executive Chairman of Datatec Limited, PRS for Music Actual Experience plc and Rosenblatt plc. Stephen is also Non-Executive Director of Informa plc. In his earlier career Stephen was Chief Financial Officer then Chief Executive Officer of Telewest Communications plc and Vice Chairman of investment banking at WestLB Panmure.

Stephen has a 1st class honours degree in Mathematics and Statistics from the University of Aberdeen.

Stephen is Chairman of the Group's Audit Committee and a member of the Nomination and Remuneration Committees.

Stephen steps down from the Board on 31 March 2019 and will be succeeded as Chair of the Audit Committee by Susan Davy.

James Wilde

Non-Executive Director Age 65

James Wilde joined the Board in June 2014.

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

James is a member of the Group's Nomination, Remuneration and Audit Committees.

Susan Davy

Non-Executive Director Age 49

Susan joined the Board in January 2019.

Susan has been Chief Financial Officer at Pennon Group plc since 2015, having previously been Finance and Regulatory Director at South West Water.

Susan is a member of the Group's Nomination, Remuneration and Audit Committees.

Susan will succeed Stephen Davidson as Chairperson of the Audit Committee on 1 April 2019.

Governance Statement

The role of the Board

The Board ensures that the Group is managed for the long-term benefit of all shareholders with corporate governance being an essential element of this and as such has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code which is considered appropriate for an AIM listed company. The Board is responsible for the overall leadership, strategy, development and control of the Group in order to achieve its strategic objectives.

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

The Group is lead and controlled by the Board which currently consists of three Executive Directors and five Non-Executive Directors and is chaired by Martin Towers. Charles Bligh was appointed on 11 March 2019 and will succeed Charles Skinner as Chief Executive on 1 April 2019. Susan Davy was appointed on 2 January 2019 and will succeed Stephen Davidson as Chair of the Audit Committee on 1 April 2019. In addition to these Board changes Sharon Baylay has assumed the role of Senior Independent Director (SID) and is the Company's first SID. Board meetings are held on a regular basis and no significant decision is made other than by the Directors. All Directors participate in the key areas of decision making, and there is a written statement of matters which require Board approval. These include:

- any changes to the range of services offered by the Group
- the release of all RNS announcements except for those relating to the share-based incentives or notifications of changing in holdings from investors
- the release of all press announcements
- the issue of equity outside of the existing share-based incentive schemes
- the issue of new grants under existing share-based incentive schemes
- the creation of any new equity based employee incentive schemes or bonus schemes for the executive members
- the disposal of any Group company
- the annual budget, business plan and Group strategy
- any change in auditors
- Directors share dealing
- market purchase of shares in the Group
- approval of material capex outside of the Group budget
- appointment of new Directors and Directors remuneration
- major new contracts
- approval of annual report and interim statement
- approval of all dividends
- approval of any changes in accounting policies
- approval of Group policies
- approval of conduct of any major litigations
- approval of policies on political and charitable contributions.

Skills Experience and Independence

The Board is satisfied that there is a suitable balance between Company knowledge and independence in order to discharge its duties and responsibilities effectively. All Non-Executives are considered to be independent, and are able to commit the required time necessary to fulfil their roles. Information is circulated to the Directors in advance of the meetings. No one individual has powers to make decisions.

During 2018 there were eleven Board meetings which were attended by all appointed Directors.

As the Group has developed, the composition of the Board has been under review to ensure that it remains appropriate. All Directors retire annually and are required to be reappointed by the shareholders at the AGM.

Further information on the remuneration arrangements for the Directors and senior management is set out in the Directors' Remuneration Report on pages 34 to 39.

The Board takes decisions regarding the appointment of new Directors and this is done following a thorough assessment of a potential candidates skills and suitability for the role.

The Directors are responsible for preparing the financial statements as set out in the Statement of Directors' Responsibilities on page 43. The responsibilities of the auditors are described in the Independent auditor's report.

Governance Statement continued

The Board considers and reviews the requirement for continued professional development and undertakes to ensure that their awareness of developments in corporate governance and the regulatory framework is current, as well as remaining knowledgeable of any industry-specific updates. The Nomad and external advisers also support this development, by providing guidance and updates as required. On 11 February 2019, the Board appointed Peel Hunt LLP as its Nominated Adviser and sole broker.

The biographies of each of the directors, including their experience and skills are shown on pages 28 and 29.

Board Committees

The Company has established an Audit Committee comprising the Chairman and Non-Executive Directors who are responsible for monitoring the integrity of the financial statements of the Company, advising on appropriate accounting policies and reviewing management judgements, reviewing effectiveness of internal control and approving the external audit plan and reviewing the effectiveness of the external auditor. Following the audit tender in 2017 and appointment at the 2018 Annual General Meeting, the audit has been undertaken by PricewaterhouseCoopers LLP. The Audit Committee report is set out on page 33.

The Company has an established Remuneration Committee and its report is set out on pages 34 to 39.

The Nomination Committee was established during 2018 and comprises of the Non-Executive Directors. The Committee is chaired by Martin Towers unless the matter under discussion is his own succession. Other Directors are invited to attend as appropriate. The Committee is also assisted by executive search consultants as and when required. The Committee's principal responsibility is to lead the process for Board appointments and to make recommendations for maintaining an appropriate balance of skills on the Board. It is anticipated that the Committee will usually meet to discuss succession planning for key senior executives.

The Board and Nomination Committee undertake regular assessments of management to ensure that they maintain a successful strategy in order that succession plans are in place. The Board aim to maximise development of internal talent and where appropriate involve external recruitment.

Our Chairman was newly appointed on 1 January 2018 and continues to ensure that contributions made to the Board are relevant, independent, effective and encourage debate. Over the next 12 months further review of the Board functionality will be undertaken to include assessments of whether Board members attend and actively contribute to meetings as well as thoughts on board composition, external advisers and other relevant matters.

2018 Board and Committee meetings and attendance

	Number of Board meetings Total 11	Number of Audit Committee meetings Total 2	Number of Remuneration Committee meetings Total 4	Number of Nomination Committee meetings Total 1
Executive Directors				
Charles Skinner	11	2	–	–
Adam Councell	11	2	–	–
Executive Directors				
Martin Towers	11	2	4	1
Sharon Baylay	11	2	4	1
Stephen Davidson	11	2	4	1
James Wilde	11	2	4	1

Governance Statement continued

Relations with Shareholders

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

Internal Control

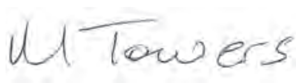
The Board acknowledges its responsibility for establishing and monitoring the Group's systems of internal control. Although no system of internal control can provide absolute assurance against material mis-statement or loss, the Group's systems are designed to provide the Directors with reasonable assurance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

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

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

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

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



Martin Towers

Chairman
18 March 2019

Audit Committee Report

Audit Committee

The Audit Committee consists of Stephen Davidson as Chairman and the other independent Non-Executive Directors.

Meetings and attendance

The Audit Committee has met twice in the year and all members attended both Committee meetings. The Committee is scheduled to meet twice in 2019.

The meetings are also attended by the Chief Executive and Group Finance Director. The external auditor attends meetings by invitation. Other members of senior management attend meetings by invitation.

Activities

Activities of the Audit Committee have included:

- Reviewing the financial results for the half and full year for approval by the Board
- Considering the appropriateness of preparing the financial statements on a going concern basis
- Advising the Board in relation to ensuring that the financial statements taken as a whole are fair and balanced
- Approving the 2018 audit plan and considering the findings of the external auditor for the financial year ended 31 December 2018
- Considering the need for an internal audit function for the Group.

External auditor

The Audit Committee oversees the relationship with the external auditor and review their performance and on going independence. The Audit Committee has reviewed the independence of PricewaterhouseCoopers LLP and the conduct of the audit for the financial year ended 31 December 2018. The Committee concluded that the external audit process has been effectively run and that PricewaterhouseCoopers LLP remains independent and has recommended their reappointment. The external auditor attends meetings by invitation and the Committee meets with the external auditor without management present at least once a year.

Risk management and internal controls

The Board is responsible for the effectiveness of the Company's risk management and internal controls. The Committee has received a report on policies and procedures in place, the assurance work done to check adherence to those polices and the follow up actions taken to address any issues identified.

A whistleblowing policy is in place across the Group to encourage employees to report any malpractice or illegal acts or omissions. All reported incidents are followed up and the actions taken reviewed by the Restore plc Board.

Stephen Davidson

Chairman of the Audit Committee
18 March 2019

Directors' remuneration report

Remuneration Committee

The Committee is responsible for determining the remuneration policy for the Executive Directors and senior management, as well as its implementation over time, with the aim of ensuring that this supports the delivery of the Group's strategy. The Committee has an agreed set of Terms of Reference which are available on our website **www.restoreplc.com**. These are kept under regular review to ensure that they remain appropriate and reflect any changes which may be required as a result of changing regulation, legislation or best practice.

The members of the Remuneration Committee are Martin Towers (who chairs the Committee) and the other Non-Executive Directors. The Committee meets at least once a year and at other times as appropriate. In 2018, the Committee met four times. Its main activities during the year were to:

- review the approach to senior executive remuneration to ensure it remains fit-for-purpose and appropriately incentivises delivery of the Group's strategy;
- design a new Annual Bonus Scheme and Long Term Incentive Plan (LTIP) for implementation in 2019 onwards;
- approve the individual packages of the Executive Directors and senior management members (including the package for Charles Bligh on his appointment as CEO); and
- review and agree the structure of this Directors' remuneration report.

The Committee is committed to adhering to good practice for executive pay and pay reporting. As such, the layout of this Remuneration Report has been revised to include an overview of the Directors' Remuneration Policy that will apply from 2019, as well as an Annual Report on Remuneration that provides details in respect of Directors' remuneration outcomes for the year ended 31 December 2018, as well as how the Remuneration Policy will be implemented in 2019.

Directors' Remuneration Policy

The Group's Remuneration Policy is aimed at aligning the interests of the Executive Directors with the growth strategy of the Group and creation of shareholder value over the longer-term.

The Committee reviews the Remuneration Policy periodically to ensure that it:

- reinforces the achievement of Restore's long-term goals and support its culture;
- reflects market practice;
- is competitive for companies of similar size and complexity;
- is simple.

Directors' remuneration report continued

Following the expiry of the previous long-term incentive plan, the Committee appointed Mercer during 2018 to support a review of the Group's Remuneration Policy. Following its review, the Committee concluded that it would be appropriate to introduce a new annual bonus and LTIP to the remuneration framework for the Executive Directors, further details of which are set out below:

Executive Directors' remuneration policy

Element of package	Objective	Policy	Opportunity
Base salary	To provide a competitive base salary for the market in which the Group operates, to help attract, motivate and retain directors with the experience and capabilities required to achieve the Group's strategic aims.	Salaries are reviewed annually taking into account Group performance, role, experience and market positioning.	Salary increases are reviewed in the context of, and generally set in line with, the increases awarded to the wider workforce.
Benefits	To provide a market competitive benefits package as part of a competitive total package.	Executive Directors receive benefits in line with market practice, principally private medical insurance and a car allowance.	Set at a level which the Committee deems appropriate.
Pension	To provide an appropriate level of retirement benefit.	Executive Directors are eligible to participate in the Group's defined contribution pension plan, or receive a cash allowance in lieu thereof.	Pension contributions are paid at an agreed rate.

Incentive plan	Objective	Operation	Opportunity	Performance linkage
Annual bonus	Rewards achievement of short-term financial and strategic goals.	The outcome of the annual bonus is based on the achievement of annual performance targets set at the start of the year. The Committee has discretion to amend the payout should the formulaic outcome not reflect the Committee's assessment of underlying business performance. Any bonus earned is paid in cash. Awards may also be subject to clawback for a period of up to three years in the event of material financial mis-statement or gross misconduct, at the discretion of the Committee.	The maximum annual bonus opportunity is 125 per cent of base salary.	The performance measures, weightings and targets are set annually by the Committee. The bonus opportunity will be linked to the achievement of challenging financial and, when appropriate, non-financial performance targets. Details of the measures and their weightings will be disclosed annually in the Annual Report on Remuneration.

Directors' remuneration report continued

Incentive plan	Objective	Operation	Opportunity	Performance linkage
LTIP	To drive and reward the achievement of longer term objectives, support retention and promote share ownership by Executive Directors.	Awards of nil-cost share options may be made annually. Vesting will be subject to the achievement of specified performance conditions over a period of three years. To the extent that an award vests, it may be subject to a further holding period of up to two years. Awards may also be subject to malus over the vesting period, and clawback for a period of up to two years after vesting, at the discretion of the Committee. Dividend equivalents may also accrue over the vesting period, and be paid on any awards that vest.	The normal maximum LTIP opportunity is 125 per cent of salary in respect of a financial year. Under the LTIP rules, an award of up to 175 per cent of salary may be granted in respect of a financial year in exceptional circumstances.	The vesting of LTIP awards will be subject to the achievement of defined performance targets. Although the measures, their weightings and the targets set will be reviewed by the Committee prior to making an award, it is the Committee's intention currently that the vesting of 2019 LTIP awards be based 75% on 3-year return on invested capital (ROIC) and 25% on the Group's Absolute Total Shareholder Return (TSR) over the performance period.

Non-Executive Directors' remuneration policy

The remuneration policy for the Non-Executive Directors is to pay fees necessary to attract an individual of the calibre required, taking into consideration the size and complexity of the business and the time commitment of the role.

Details are set out in the table below:

The fees of the Non Executive Directors are agreed by the Chairman and Executive Directors. Fees are reviewed annually. Fees are set taking into account the level of responsibility, relevant experience and specialist knowledge of each Non Executive Director.	Fees may include a basic fee and additional fees for further responsibilities (for example Chairman of the Remuneration and Audit Committee). Fees are paid in cash.	Non Executive Directors do not receive any benefits or pension contributions. Travel and other reasonable expenses incurred in the course of performing their duties are reimbursed.

Legacy remuneration

The Company will honour any commitment entered into, and Directors will remain eligible to receive payment from any award granted, prior to the implementation of the Remuneration Policy outlined above, even if these commitments and/or awards fall outside the above Policy.

Directors' remuneration report continued

Directors' Contracts and Letters of Appointment

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

Executive Directors	Date of contract	Notice period
Charles Skinner	8 June 2009	12 months
Adam Councell	1 May 2012	6 months
Charles Bligh	12 December 2018	6 months

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

Non-Executive Directors	Date of Letter	Notice period
Martin Towers*	10 August 2017	3 months
Sharon Baylay	12 August 2014	3 months
Stephen Davidson	8 January 2014	3 months
James Wilde	28 March 2014	3 months
Susan Davy**	12 December 2018	3 months

* appointed Chairman on 1 January 2018.
** appointed 2 January 2019.

Annual Report on Remuneration

Directors' Emoluments

The aggregate emoluments of the Directors of the Company during 2018 and 2017 were:

£'000	Salary & Fees	Benefits	Pension Costs	Subtotal 2018	Long-term incentive vesting	Total 2018
Executive Directors						
Charles Skinner	535	2	–	537	3,164	3,701
Adam Councell	268	13	27	308	1,055	1,363
Non-Executive Directors						
Martin Towers	90	–	–	90	–	90
Sir William Wells*	9	–	–	9	–	9
Sharon Baylay	51	–	–	51	–	51
Stephen Davidson	50	–	–	50	–	50
James Wilde	45	–	–	45	–	45
	1,048	15	27	1,090	4,219	5,309

* retired on 13 March 2018.

Directors' remuneration report continued

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

Legacy Share Plans

EIP

On 26 November 2016, the performance conditions attaching to the Executive Incentive Plan (EIP) were met, and the performance units held by the Executive Directors were converted into nil-cost options on 5 December 2016. On 11 April 2018, Charles Skinner and Adam Councell exercised 600,000 and 200,000 nil-cost options, respectively.

Vested but unexercised options held by the Directors as at 31 December 2018 are as follows:

	Number of options 2018	**Exercise Price**	**Date from which exercisable**	**Expiry date**	Number of options 2017	Exercise Price
Charles Skinner	279,536	0p	26 November 2017	26 November 2023	879,536	0p
Charles Skinner	879,536	0p	26 November 2018	26 November 2023	879,536	0p
Adam Councell	93,179	0p	26 November 2017	26 November 2023	293,179	0p
Adam Councell	293,178	0p	26 November 2018	26 November 2023	293,178	0p
Adam Councell	250,000	499.0p	26 March 2021	26 March 2028	–	–

The 250,000 options included above were issued on 26 March 2018.

Directors' remuneration report continued

2010 share option scheme

During the year, the following share options have been granted to other employees within the Group (excluding the Executive Directors):

Date of Grant	Granted	Number of ordinary shares of 5p each	Exercise price	Date from which exercisable	Expiry date
26 March 2018	750,000	750,000	499.0p	26 March 2021	26 March 2028
31 July 2018	150,000	150,000	501.0p	31 July 2021	31 July 2028
19 November 2018	50,000	50,000	425.0p	19 November 2021	19 November 2028
17 December 2018	150,000	150,000	337.0p	17 December 2021	17 December 2028

The share options granted have no performance conditions. See note 29 for details of the grant.

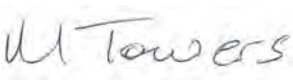
The closing price for Restore plc shares at 31 December 2018 was 323.0p. During the year the market price of the Company's ordinary shares ranged between 597.0p and 314.0p.

Directors' Interests in Shares

The beneficial interests of the Directors who were in office at 31 December 2018 in the shares of the Company (including family interests) were as follows:

	Number of ordinary shares of 5p each 2018	Number of ordinary shares of 5p each 2017
Charles Skinner	1,538,560	1,538,560
Adam Councell	289,213	289,213
Charles Bligh	–	–
Martin Towers	15,000	5,000
Sir William Wells (retired 13 March 2018)	–	352,553
Sharon Baylay	–	–
Stephen Davidson	–	–
James Wilde	–	–
Susan Davy	–	–

As at 15 March 2019 there has been no change in any of the above holdings.



Martin Towers

Chairman of the Remuneration Committee
18 March 2019

Directors' report

Restore plc is an AIM listed support services company focused on providing services to offices and workplaces in the public and private sectors. The Company is incorporated and domiciled primarily in the United Kingdom where the vast majority of trading occurs.

Restore plc has two divisions: Document Management and Relocation. As a Group we provide safe and secure services in:

- Document storage, cloud and media storage
- Document shredding
- Digital services, including specialist project scanning
- Commercial and workplace relocation
- IT relocation; and
- Management of IT assets from full deployment until end of life Recycling or Re-Use.

The Directors present their report together with the audited financial statements for the year ended 31 December 2018.

The Governance statement on pages 30 to 32 also forms part of this Directors' report.

Review of the Business

The Strategic report on pages 11 to 26 provides an operating and financial review of the business, the Group's trading for the year ended 31 December 2018, as well as risk management and an indication of future developments.

Result and Dividend

The Group has reported its Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union. The Group's results for the year are set out in the Consolidated statement of comprehensive income on page 48.

The Directors recommend a final dividend for the year of 4.0p per share payable on 5 July 2019 (2017: 3.33p per share). An interim dividend of 2.0p was paid during the year (2017: 1.67p). The estimated final dividend to be paid is £5.0m (2017: £3.7m).

Directors

As announced on 13 December 2018, Charles Skinner notified the Board of his intention to retire as Chief Executive on 31 March 2019 after 10 years in the role. He will be succeeded by Charles Bligh, who will work alongside Charles Skinner from early March 2019 and assume the role of CEO on 1 April 2019.

Susan Davy has been appointed Non-Executive Director and from 1 April 2019 she will become Chair of the Audit Committee, taking over the role from Stephen Davidson, who will step down from the Board on that date after having served 5 years.

Sharon Baylay, currently Chair of the Company's Risk Committee, has additionally assumed the role of Senior Independent Director (SID). Sharon is the Company's first SID.

The Directors of the Group during the year were:

Executive

Charles Skinner (Chief Executive)
Adam Councell (Group Finance Director)
Charles Bligh (appointed 11 March 2019)

Independent Non-Executive

Martin Towers (Chairman)
Sharon Baylay (Senior Independent Director)
Stephen Davidson
James Wilde
Susan Davy (appointed 2 January 2019)

The biographical details of the Directors are given on pages 28 and 29.

Directors' remuneration, share options, long-term executive plans, pension contributions, benefits and interests are set out in the Directors' remuneration report on pages 34 to 39.

The Company maintains liability insurance for its Directors and Officers.

Directors' report continued

Share Capital and Substantial Shareholdings

Full details of the authorised and issued share capital of the Company are set out in note 23 to the financial statements.

At 15 March 2019, the latest practicable date prior to the approval of this document, the Company had been notified of the following interests amounting to 3% or more of the voting rights attaching to the Company's issued share capital:

Significant Shareholder	Percentage of issued share capital
Octopus Investments	10.6%
Canaccord Genuity Group Inc	10.2%
Franklin Templeton Investments	5.6%
Royal London Asset Management	5.6%
Meridian Global Investors	5.4%
Slater Investments	4.3%
Charles Stanley	3.7%
Invesco Perpetual Asset Management	3.4%

Property Values

The Directors are aware that a significant difference may exist between market and book values, as shown in the Consolidated statement of financial position at 31 December 2018, for the Group's freehold properties, some of which have a market value in excess of the book value recorded.

Employee Involvement process

The Directors believe that the involvement of employees is an important part of the business culture. Employees are its most important asset and contribute to the successes achieved to date (view our Corporate responsibility statement on pages 24 to 26).

Equal Opportunities

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

Disabled Employees

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

Environmental Policy

Maintaining and improving the quality of the environment in which we live is an important concern for the Group, our staff, customers, suppliers, sub-contractors and communities. We have adopted high standards of environmental practices and aim to minimise our impact on the environment wherever this is practical. In particular, we comply with, and endeavour to exceed the requirements of all laws and regulations relating to the environment. For further details see our Corporate responsibility statement on pages 24 to 26.

Health and Safety

The Group recognises the importance of maintaining high standards of Health and Safety for everyone working within our business and also for anyone who may be affected by our business. Further details on Health and Safety are given on page 24.

Political and Charitable Donations

Donations of £17,000 were made by the Group for charitable purposes during the year (2017: £10,000). The Group does not make political donations. Further details on our charitable initiatives are given on page 26.

Financial Risk Management

Information in respect of the financial risk management objectives and policies of the Group, is contained in note 3.

Related party transactions

Any related party transactions required to be disclosed under the AIM rules are disclosed in note 34 to the financial statements.

Modern Slavery Act

Our Anti-slavery policy, which sets out our commitment to preventing modern slavery and human trafficking from occurring within any part of our business and supply chain, is available on our website **www.restoreplc.com**.

Directors' report continued

Statement, as to Disclosure of Information to Auditors

The Directors in office on 15 March 2019 have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Directors have confirmed that they have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Post Balance Sheet Events and Future Developments

Details of post balance sheet events are given in note 35 of the financial statements. The Board intends to continue to pursue its business strategy as outlined in the Strategic report on pages 11 to 26.

Annual General Meeting

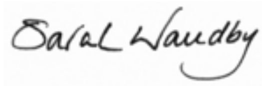
The notice of the Annual General Meeting to be held on 21 May 2019 is set out on pages 100 to 104.

Going Concern

The Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future and that it is appropriate to prepare financial statements on the going concern basis. Further details are given in note 1 to the financial statements on page 52.

Approval

This Directors' report was approved on behalf of the Board on 18 March 2019.



Sarah Waudby

Company Secretary
18 March 2019

Statement of Directors' responsibilities

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

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

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

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

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

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

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

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

Independent auditor's report to the members of Restore plc

Report on the audit of the financial statements

Opinion

In our opinion, Restore plc's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2018 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company statements of financial position as at 31 December 2018; the Consolidated statement of comprehensive income, the Consolidated and Company statements of cash flows, and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

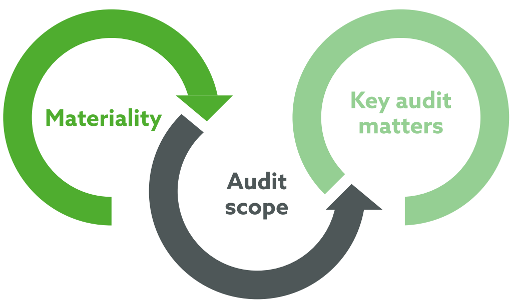
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



Materiality

- Overall Group materiality: £1.5 million, based on 5% of profit before tax, adjusted for non-recurring exceptional items.
- Overall Company materiality: £1.3 million, calculated with reference to a blend of benchmarks recognising the two primary activities of parent and trading entity.

Audit scope

- We performed full scope audits at the parent company (comprising Restore Records Management and head office), Restore Datashred, and Restore Harrow Green.
- Our full scope audits account for 83% of group revenue and 85% of profit before tax and exceptional items.
- We completed a review of Restore Digital and Restore Technology.

Key audit matters

- Accounting for acquisition of TNT records management business (Group and parent company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Independent auditor's report continued

Key audit matter – Group and parent company	How our audit addressed the key audit matter
Accounting for acquisition of TNT records management business	
As disclosed in note 11, on 1 May 2018 the Group acquired the records management business of TNT UK Limited for £88m. IFRS 3 requires assets and liabilities acquired to be recorded at fair value. There is judgement involved in determining fair value, particularly in relation to intangible assets. Management prepared the purchase price allocation in house using a discounted cash flow model for customer relationships (£44m), and engaged independent experts to provide a valuation report on the freehold properties (£19m), which constituted the majority of property plant and equipment acquired.	In respect of the valuation of intangible assets, we used our valuations experts to assist us in evaluating the model and running a series of sensitivity analyses, including on customer attrition, contributory asset charges, and inflation. We agreed key assumptions to budgets. We obtained and read the Asset Purchase Agreement and agreed the total consideration paid and the support for other asset values to supporting evidence. We obtained and the valuation reports on freehold properties and concluded the fair values attributed to those to be appropriate. Based on our work, we did not identify any material issues with the reasonableness of the fair values recognised and the resulting disclosures.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The group operates in the United Kingdom through two divisions which comprise five business streams: Restore Records Management, Restore Datashred and Restore Digital (within the Document Management division), and Restore Harrow Green and Restore Technology (with the Relocation division). There is also a central head office function. There were considered to be three financially significant operating units which required a full scope audit being the parent company (comprising Restore Records Management and head office), Restore Datashred, and Restore Harrow Green.

The remaining operating units were not individually financially significant enough to require a full scope audit but were subject to review procedures performed by the group engagement team, including a site visit to Restore Digital. The group team performed procedures on exceptional items.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£1.5 million	£1.3 million
How we determined it and rationale for benchmark applied	5% of profit before tax, adjusted for non-recurring exceptional items. Profit before tax, adjusted for non-recurring exceptional items is a generally accepted auditing benchmark.	Given the multiple activities of the Company being that of a holding company and a trading company, we applied our professional judgement having considered a range of both cost based and profit based benchmarks which are relevant to the varying activities of the Company.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £1.3 million and £0.4 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £66,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

Independent auditor's report continued

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 43, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Kate Wolstenholme (Senior Statutory Auditor), for and on behalf of PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, London

18 March 2019

Financial Statements

Consolidated statement of comprehensive income

For the year ended 31 December 2018

	Note	**Year ended 31 December 2018 £'m**	Year ended 31 December 2017 £'m
Revenue – continuing operations	4	195.5	172.0
Cost of sales		(111.5)	(105.3)
Gross profit		84.0	66.7
Administrative expenses		(43.7)	(33.5)
Amortisation of intangible assets	13	(7.0)	(5.3)
Exceptional items	5	(8.5)	(15.5)
Operating profit		24.8	12.4
Finance costs	7	(3.8)	(2.5)
Profit before tax		21.0	9.9
Income tax charge	8	(2.5)	(1.9)
Profit and total comprehensive income for the year from continuing operations		18.5	8.0
Loss from discontinued operations	4	(2.8)	(0.2)
Attributable to owners of the parent		15.7	7.8
Earnings/(loss) per share attributable to owners of the parent (pence)	9		
Total – basic		13.0p	6.9p
Total – diluted		12.5p	6.7p
Continuing operations – basic		15.3p	7.1p
Continuing operations – diluted		14.7p	6.9p
Discontinued operations – basic		(2.3p)	(0.2p)
Discontinued operations – diluted		(2.2p)	(0.2p)

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

	Note	**Year ended 31 December 2018 £'m**	Year ended 31 December 2017 £'m
Operating profit		24.8	12.4
Adjustments for:			
Amortisation of intangible assets	13	7.0	5.3
Exceptional items	5	8.5	15.5
Share-based payments charge	9	1.0	0.6
Adjustments	9	16.5	21.4
Adjusted operating profit		41.3	33.8
Depreciation of property, plant and equipment	14	6.9	6.0
Earnings before interest, taxation, depreciation, amortisation and exceptional items (EBITDA)		48.2	39.8
Profit before tax		21.0	9.9
Adjustments (as stated above)		16.5	21.4
Adjusted profit before tax		37.5	31.3

Consolidated statement of financial position

As at 31 December 2018

Company registered no. 05169780

	Note	**2018 £'m**	2017 £'m
ASSETS			
Non-current assets			
Intangible assets	13	261.9	193.9
Property, plant and equipment	14	71.1	46.1
Deferred tax asset	21	2.5	3.9
		335.5	243.9
Current assets			
Inventories	15	1.1	2.0
Trade and other receivables	16	48.7	43.4
Cash and cash equivalents	18	11.7	10.7
		61.5	56.1
Assets held directly for sale	12	1.8	–
Total assets		398.8	300.0
LIABILITIES			
Current liabilities			
Trade and other payables	17	(33.3)	(33.5)
Financial liabilities – borrowings	18	(0.8)	(9.4)
Other financial liabilities	19	(0.2)	(0.1)
Current tax liabilities		(2.4)	(0.9)
Provisions	22	(0.9)	(1.5)
		(37.6)	(45.4)
Liabilities associated with assets held for sale	12	(0.2)	–
Non-current liabilities			
Financial liabilities – borrowings	18	(122.2)	(79.5)
Other long term liabilities		–	(0.1)
Other financial liabilities	19	(0.1)	(0.2)
Deferred tax liability	21	(17.6)	(13.3)
Provisions	22	(5.1)	(5.6)
		(145.0)	(98.7)
Total liabilities		(182.8)	(144.1)
Net assets		216.0	155.9
EQUITY			
Share capital	23	6.2	5.6
Share premium account	24	150.3	100.9
Other reserves	25	3.8	3.2
Retained earnings	26	55.7	46.2
Equity attributable to the owners of the parent		216.0	155.9

These financial statements were approved by the Board of Directors and authorised for issue on 18 March 2019 and were signed on its behalf by:

Charles Skinner
Chief Executive

Adam Councell
Group Finance Director

Consolidated statement of changes in equity

For the year ended 31 December 2018

	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 2017	5.6	100.9	2.4	43.2	152.1
Profit for the year	–	–	–	7.8	7.8
Total comprehensive income for the year	–	–	–	7.8	7.8
Transactions with owners					
Dividends	–	–	–	(4.9)	(4.9)
Transfers (note 26)	–	–	(0.4)	0.4	–
Share-based payments charge	–	–	0.6	–	0.6
Cash settlement of EIP options	–	–	(0.8)	–	(0.8)
Deferred tax on share-based payments	–	–	1.4	–	1.4
Minority interest	–	–	–	(0.3)	(0.3)
	–	–	0.8	(4.8)	(4.0)
Balance at 31 December 2017	5.6	100.9	3.2	46.2	155.9
Balance at 1 January 2018	5.6	100.9	3.2	46.2	155.9
Profit for the year	–	–	–	15.7	15.7
Total comprehensive income for the year	–	–	–	15.7	15.7
Transactions with owners					
Issue of shares during the year	0.6	51.0	–	–	51.6
Issue costs	–	(1.6)	–	–	(1.6)
Dividends	–	–	–	(6.6)	(6.6)
Transfers (note 26)	–	–	(0.4)	0.4	–
Share-based payments charge	–	–	1.0	–	1.0
	0.6	49.4	0.6	(6.2)	44.4
Balance at 31 December 2018	6.2	150.3	3.8	55.7	216.0

Consolidated statement of cash flows

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 £'m	Year ended 31 December 2017 £'m
Net cash generated from operations	27	32.4	15.7
Net finance costs		(3.6)	(2.2)
Income taxes paid		(3.2)	(2.5)
Net cash generated from operating activities		25.6	11.0
Cash flows from investing activities			
Purchase of property, plant and equipment and applications software		(10.1)	(5.3)
Purchase of subsidiary undertakings, net of cash acquired	11	(4.0)	(5.6)
Purchase of trade and assets	11	(88.5)	(1.5)
Proceeds from sale of property, plant and equipment		0.9	0.1
Cash flows used in investing activities		(101.7)	(12.3)
Cash flows from financing activities			
Net proceeds from share issues		50.0	–
Dividends paid		(6.6)	(4.9)
Repayment of bank borrowings		(2.3)	(7.3)
Repayment of revolving credit facility		(8.0)	(9.0)
New bank loans raised		44.0	20.0
Finance lease repayments		(0.1)	(0.1)
Net cash generated by/(used in) financing activities		77.0	(1.3)
Net increase/(decrease) in cash and cash equivalents		0.9	(2.6)
Cash and cash equivalents at start of year		10.3	12.9
Cash and cash equivalents at end of year		11.2	10.3
Cash and cash equivalents shown above comprise:			
Cash at bank	20	11.7	10.7
Bank overdraft	20	(0.8)	(0.4)
Assets held as classified for sale	12	0.3	–
		11.2	10.3

Notes to the Group financial statements

For the year ended 31 December 2018

1. General Information

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

The Company is listed on the AIM.

These Group consolidated financial statements were authorised for issue by the Board of Directors on 18 March 2019.

2. Significant Accounting Policies

Basis of Preparation

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

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

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

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance, financial position, its cash flows, liquidity position, principal risks and uncertainties affecting the business are set out in the Strategic report on pages 11 to 26.

The Group meets its day-to-day working capital requirements through its financing facilities which are due to expire in November 2022. Details of the Group's borrowing facilities are given in note 20 of the financial statements.

The Group's budgets for 2019 and forecasts for 2020, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility.

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

Basis of Consolidation

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

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

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

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

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

Contingent Consideration

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

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

Segmental Reporting

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

Notes to the Group financial statements
continued

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

Revenue Recognition

Revenue for services is recognised in the Consolidated income statement on the delivery of those services based upon the proportion of the total delivered at the consolidated statement of financial position. It is recognised at the fair value of consideration received or receivable net of discounts, VAT, returns, rebates and after eliminating intra-group sales.

Sale of services – Document Management

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

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

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

Sale of services – Relocation

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

Sale of goods

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

Interest income

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

Dividend income

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

Exceptional Items

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

Profit Measures

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

Intangible Assets

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that

Notes to the Group financial statements
continued

the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

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

Other intangible assets

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

Customer relationships

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

Trade names

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

Application software

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

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

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

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

Property, Plant and Equipment

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

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

Leased Assets

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

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

Investments

Loans and receivables are measured at amortised cost. Impairment losses are recognised in profit or loss when there is evidence of impairment. Available for sale investments are non-derivative assets and are initially recognised at fair value net of any transaction costs and are subsequently carried at fair value. Fair value gains and losses are recognised in other comprehensive income and are recycled to profit or loss on disposal of the investment. If a fair value for an investment cannot be reliably measured, due to the variability in the range of reasonable fair value estimates being significant, or the probabilities of the various estimates within the range not being able to be reasonably assessed, that investment will be carried at cost.

Notes to the Group financial statements
continued

An impairment test is performed annually on the carrying value of the investment. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount, when there is objective evidence for impairment including significant or prolonged decline in fair value below cost.

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

An impairment review is carried out annually.

Inventories

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

Trade and Other Receivables

Trade receivables, classified as loans and receivables in accordance with IFRS 9 'Financial Instruments', are recorded initially at fair value and subsequently measured at amortised cost less provision.

The Group applies the simplified approach to measuring expected credit losses. To measure the expected credit losses, trade receivables have been grouped according to shared credit risk characteristics and the days past due. The expected loss rates are based on historic payment profiles and the credit losses experienced. A specific provision for impairment of trade receivables is established when there is evidence that the Group will not be able to collect all amounts due according to the original terms.

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

Customer Incentives

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

Cash and Cash Equivalents

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

Assets Held for Sale

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

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

Trade Payables

Trade payables, classified as other liabilities in accordance with IFRS 9, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Other payables are stated at amortised cost.

Borrowings

Borrowings are classified as other liabilities in accordance with IFRS 9 and are recorded at the fair value of the consideration received, net of direct transaction costs. Finance charges are accounted for in profit or loss over the term of the instrument using the effective interest rate method.

Taxation

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

Current tax

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

Notes to the Group financial statements
continued

Deferred tax

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

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

Provisions

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

Equity Instruments

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

Share-Based Payments

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

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

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

Pensions

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

Financial Instruments

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

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

Critical Accounting Estimates and Judgements

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

Judgements

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

Acquisitions

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

Valuation of separable intangibles on acquisition

When valuing the intangibles acquired in a business combination, management estimate the expected future cash flows from the asset and select a suitable discount rate in order to calculate the present value of those cash flows. Separable intangibles valued on acquisitions made in the year were £47.4m (2017: £3.7m) as detailed further in note 11.

Notes to the Group financial statements
continued

Customer relationships

The useful lives of intangible assets rely on various internal and external factors which could turn out to be different from the assumptions employed in determining their useful life.

Consideration

In the acquisition of TNT UK Limited, the consideration has been allocated to the cash-generating units based on historic earnings as the Directors believe this to be the most appropriate measure. In the other 2018 acquisitions, the businesses acquired operate a single cash-generating unit and therefore no allocation of consideration was required.

Exceptional items

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

Estimates and assumptions

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

Impairment of non-financial assets

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

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 13.

Provisions

Included within provisions is an onerous lease provision which relates to the amount by which future lease rental commitments, arising as a result of acquisitions, exceed the fair market rentals (note 22). In calculating this provision the key estimates are those relating to the fair values of the rentals on the properties concerned, the impact of future rent reviews and the discount rate applicable.

Adoption of New and Revised Standards

New standards, amendments and interpretations issued and effective during the financial year commencing 1 January 2018:

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

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

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

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

The key areas which were assessed are:

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

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

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

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

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

Notes to the Group financial statements
continued

model being applied to all financial assets, thereby removing a source of complexity associated with previous accounting requirements.

The Group undertook an assessment of how the adoption of IFRS 9 would impact the Group's financial instruments. The key area that was considered across the business was the bad debt provisioning because of the implementation of the expected loss model and it was concluded that no restatement was required.

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

The amendment clarified the accounting treatment for cash-settled share-based payments, the accounting for awards that change an award from cash-settled to equity settled and equity settled awards that include a net-settlement feature in respect of withholding taxes.

Periods commencing on or after 1 January 2019

IFRS 16 Leases (endorsed for use in the EU on 31 October 2017)

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

The expense recognised in profit and loss is consistent with the charge recognised under IAS 17 with regards to finance leases in that it will comprise a depreciation charge on the leased asset and an interest charge on the lease liability.

The Group will apply the standard from 1 January 2019 and will transition to IFRS 16 with the modified retrospective approach and prior year figures will not be adjusted. As shown in note 31, at 31 December 2018, the Group had £159.0m of non-cancellable operating lease commitments.

As noted in the half year 2018 results it is expected that the application of this standard will have a material impact on Group's financial statements. Indicatively the changes can be summarised as follows:

- Net debt will increase by £130.0m - £155.0m primarily reflecting the sizeable leasehold property portfolio of the Group
- EBITDA will increase by £18.0m - £21.0m reflecting the reclassification of rental payments to interest and depreciation charges.

As a result the pro-forma lease adjusted leverage of the Group will optically increase by 1.2 - 1.7x adjusted EBITDA as a result of the change in accounting treatment. In addition the increase in the non-cash interest charges resulting from the application of IFRS 16 is expected to reduce the Group adjusted profit before tax by up to 5%.

The debt covenants on the Group's borrowing facilities will be unaffected by the application of IFRS 16 as the covenant calculations are based on the accounting principles in place at the date the agreement was entered into. This reflects the fact that the cash-flow of the Group remains unaltered.

IAS 19 Employee Benefits*

These amendments in connection with accounting for plan amendments, curtailments and settlements require an entity:

- to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

* Not yet endorsed by the EU

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

3. Financial Risk Management

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

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

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

Market risks

Foreign exchange risk

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

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. During 2018 and 2017, the Group's borrowings at variable rates were denominated in pounds sterling. The Group analyses its interest rate exposure using financial modelling. Based on the various

Notes to the Group financial statements
continued

scenarios, the Group manages its cash flow interest rate risk by using interest rate swaps when considered appropriate. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates at a certain level. Interest rate swaps are an agreement with other parties at quarterly intervals, to exchange the difference between fixed and floating rate calculated by reference to the notional principal amount. The Group does not currently hold any interest rate swaps.

Credit risk

Credit risk is managed on a Group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new customers before standard payment, delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to retail customers, including outstanding receivables and committed transactions. The maximum exposure is the carrying amount as disclosed in note 16.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments as also shown in note 16.

Liquidity risk

The Group monitors its risk to a shortage of funds using a forecasting model. This model considers the maturity of both its financial assets and financial liabilities and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance in order to ensure that there is sufficient cash or working capital facilities to meet the requirements of the Group for its current business plan. A detailed analysis of the Group's debt facilities is given in note 20.

Capital risk

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

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

No changes were made in the objectives, policies or processes during the years ending 31 December 2018 and 31 December 2017.

Notes to the Group financial statements
continued

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

Debt to Capital Ratio	2018 £'m	2017 £'m
Total debt	123.0	88.9
Less: cash at bank and in hand (note 18)	(11.7)	(10.7)
Net debt	111.3	78.2
Total equity	216.0	155.9
Debt to capital ratio	0.5	0.5

The gearing during 2018 remained at a consistent level to that in 2017. The Group does not have any externally imposed capital requirements.

Fair value estimation

The fair value of financial instruments is market value.

4. Segmental Analysis

The Group is organised into two main operating segments, Document Management and Relocation, and incurs Head Office costs. Services per segment operate as described in the Strategic report. The 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	2018 £'m	2017 £'m
Restore Records Management	86.5	68.9
Restore Datashred	41.8	39.4
Restore Digital	19.3	18.6
Document Management division	147.6	126.9
Restore Harrow Green	37.6	35.5
Restore Technology	10.3	9.6
Relocation division	47.9	45.1
Total revenue	**195.5**	**172.0**

Major customers

For the year ended 31 December 2018 no customers individually accounted for more than 3% (2017: 4%) of the Group's total revenue.

Notes to the Group financial statements
continued

Segmental information

	Document Management £'m	Relocation £'m	Head Office £'m	2018 Total £'m
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

	Document Management £'m	Relocation £'m	Head Office £'m	2017 Total £'m
Segment assets	246.1	53.5	0.4	300.0
Segment liabilities	34.6	11.4	98.1	144.1
Capital expenditure	4.9	0.4	–	5.3
Depreciation and amortisation	10.6	0.7	–	11.3

Discontinued Operations	2018 £'m	2017 £'m
Revenue	4.2	4.2
Operating loss	0.3	–
Impairment and amortisation of intangible assets	2.5	0.2
Loss before tax	2.8	0.2
Tax charge	–	–
Loss for the year from discontinued operations	2.8	0.2

ITP Group Holdings Limited (ITP) has been shown as a discontinued operation (note 35). Operating activities used £0.3m (2017: £0.1m) of cash in the year. There were no cash flows from investing or financing activities.

5. Exceptional Items

	2018 £'m	2017 £'m
Acquisition – transaction costs	2.4	0.5
Acquisition related restructuring costs	4.6	7.2
Settlement of EIP	–	7.2
Other exceptional	1.5	0.6
Total	8.5	15.5

As part of the Group's strategy is to grow through acquisition it is essential that acquired businesses are restructured to integrate them fully into the Group's operations and deliver anticipated returns. In order to give a suitable representation of underlying earnings it is appropriate to show these costs as exceptional along with any other items which are exceptional in nature. In the year the Group has completed a major acquisition in the form of TNT Business Solutions and also completed eight smaller bolt on acquisitions.

Transaction costs include stamp duty costs and transitional service arrangement fees, in addition to the cost of legal and professional fees incurred as part of the acquisitions. In 2018 this included £1.0m of stamp duty payable on completion of the TNT acquisition and £0.4m relating to the CMA enquiry into the transaction.

Notes to the Group financial statements
continued

Acquisition related restructuring costs were £4.6m in 2018, a reduction of £2.6m on 2017. As noted above these primarily relate to the TNT acquisition and include:

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

Other exceptional costs of £1.5m include £0.7m relating to the non cash write down of fixed assets relating to the closure of our site in Motherwell. In addition the employers national insurance on the exercise of share options totalled £0.6m in the year.

6. Operating Profit

	2018 £'m	2017 £'m
The following items have been included in arriving at operating profit:		
Amortisation of intangible assets	7.0	5.3
Depreciation of property, plant and equipment	6.9	6.0
Profit on disposal of property, plant and equipment	0.2	–
Share-based payments charge	1.0	0.6
Operating leases – plant and machinery	4.7	4.4
Operating leases – land and buildings	14.3	13.3
Auditors' remuneration:		
– Parent and consolidated financial statements	0.1	0.1
– Audit of Company's subsidiaries pursuant to legislation	0.1	0.1
– Tax compliance	–	–
Expenses by function:		
Staff costs (note 30)	64.6	56.4
Depreciation	6.9	6.0
Premises costs	29.4	22.8
Materials costs	11.2	9.3
Subcontractor costs	11.5	18.4
Selling and distribution expenses	6.1	1.0
Transport costs	13.6	10.2
Computer costs	3.9	2.6
Audit and tax costs	0.3	0.5
Legal and professional costs	1.5	0.5
Telecommunication costs	0.9	1.2
Exceptional items	8.5	15.5
Other expenses	5.3	9.9
Total cost of sales and administrative expenses	163.7	154.3
Amortisation of intangible assets	7.0	5.3
Total operating costs	170.7	159.6

Notes to the Group financial statements
continued

7. Finance Costs

	2018 £'m	2017 £'m
Interest on bank loans and overdrafts	3.5	2.3
Amortisation of deferred finance costs	0.3	0.2
Total	3.8	2.5

8. Taxation

	2018 £'m	2017 £'m
Current tax:		
UK corporation tax on profit for the year	5.7	1.9
Adjustment in respect of previous periods	(0.4)	–
Total current tax	5.3	1.9
Deferred tax: (note 21)		
Current year	(2.4)	(0.9)
Adjustment in respect of previous periods	(0.4)	0.9
Total deferred tax	(2.8)	–
Total tax charge	2.5	1.9

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

	2018 £'m	2017 £'m
Profit before tax	21.0	9.9
Profit before tax multiplied by the rate of corporation tax of 19.0% (2017: 19.25%)	4.0	1.9
Effects of:		
Income not chargeable for tax purposes	(1.5)	(0.3)
Adjustment in respect of corporation tax for previous periods	(0.4)	–
Adjustment in respect of deferred tax for previous periods	(0.4)	0.9
Share-based payments charge	0.2	(0.8)
Effect of change in rate used for deferred tax	0.5	0.2
Deferred tax not recognised	0.1	–
Tax charge	2.5	1.9

Notes to the Group financial statements
continued

9. Earnings Per Ordinary Share

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

	2018	2017
Weighted average number of shares in issue	120,367,778	112,607,015
Total profit for the year	£15.7m	£7.8m
Total basic earnings per ordinary share	13.0p	6.9p
Weighted average number of shares in issue	120,367,778	112,607,015
Share options	5,351,055	3,448,077
Weighted average fully diluted number of shares in issue	125,718,833	116,055,092
Total fully diluted earnings per share	12.5p	6.7p
Continuing profit for the year	£18.5m	£8.0m
Continuing basic earnings per share	15.3p	7.1p
Continuing fully diluted earnings per share	14.7p	6.9p
Discontinued loss for the year	(£2.8m)	(£0.2m)
Discontinued basic loss per share	(2.3p)	(0.2p)
Discontinued fully diluted loss per share	(2.2p)	(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:

	2018 £'m	2017 £'m
Continuing profit before tax	21.0	9.9
Adjustments:		
Amortisation of intangible assets	7.0	5.3
Exceptional items	8.5	15.5
Share-based payments charge	1.0	0.6
Adjusted continuing profit for the year	37.5	31.3

The adjusted earnings per share, based on the weighted average number of shares in issue during the year, 120.4m (2017: 112.6m) is calculated below:

	2018	2017
Adjusted profit before tax (£'m)	37.5	31.3
Tax at 19.0%/19.25% (£'m)	(7.1)	(6.0)
Adjusted profit after tax (£'m)	30.4	25.3
Adjusted basic earnings per share	25.2p	22.5p
Adjusted fully diluted earnings per share	24.2p	21.8p

Notes to the Group financial statements
continued

10. Dividends

In respect of the current year, the Directors propose a final dividend of 4.0p per share (2017: 3.33p) will be paid to ordinary shareholders on 5 July 2019. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. An interim dividend of 2.0p per share (2017: 1.67p) was paid during the year.

The proposed final dividend for 2018 is payable to all shareholders on the Register of Members on 7 June 2019. The final estimated dividend to be paid is £5.0m (2017: £3.7m).

11. Business Combinations

On 9 January 2018, the Group completed the acquisition of the trade and assets of Scanning Direct and Papershrink, both scanning businesses for cash consideration of £0.2m. The customer relationships acquired were £0.2m.

On 1 May 2018, the Company completed the acquisition of the records management business of TNT UK Limited, for a total consideration of £88.0m. As part of the acquisition, the Company placed 10,100,000 ordinary shares of 5.0 pence each, with institutional investors raising £51.5m before expenses. The balance of the consideration was settled in cash. Fixed assets of £23.6m were acquired and the provisional customer relationships acquired were £44.4m and goodwill £27.5m.

On 21 June 2018, the Group acquired Optical Records Systems Limited (ORS), a Southampton-based scanning bureau, for an initial cash consideration of £1.6m. Cash of £0.2m was acquired as part of the net assets and the provisional customer relationships acquired were £0.7m and goodwill £0.8m.

On 31 August 2018, the Group acquired Spinnaker Waste Management Limited, a Portsmouth based technology company for cash consideration of £0.7m. Cash of £0.2m was acquired as part of the net assets and the provisional customer relationships acquired were £0.3m and goodwill £0.1m.

On 1 October 2018, the Group acquired Function Business Relocation Limited, (Function), a relocation business for an initial cash consideration of £0.8m. The provisional customer relationships acquired were £0.7m.

On 5 October 2018, the Group acquired Safe-Shred (UK) Limited, a shredding company for an initial cash consideration of £1.4m. Cash of £0.1m was acquired as part of the net assets and the provisional customer relationships acquired were £0.8m and goodwill of £0.5m.

On 26 October 2018, the Group acquired the trade and assets of Green Magnet Limited, a technology company for a cash consideration of £0.1m. The customer relationships acquired were £0.1m.

On 31 October 2018, the Group acquired the trade and assets of Document Capture Company Limited, a scanning business for cash consideration of £0.2m. The customer relationships acquired were £0.2m.

As the Group is still in the process of establishing the fair value of the assets and liabilities acquired for acquisitions with consideration exceeding £0.5m, the fair values presented below are provisional.

Notes to the Group financial statements
continued

	TNT £'m	ORS £'m	Spinnaker £'m	Function £'m	Safe-Shred £'m
Intangibles – customer relationship	44.4	0.7	0.3	0.7	0.8
Property plant and equipment	23.6	–	–	0.1	0.1
Trade and other receivables	–	0.5	0.1	0.2	0.1
Cash	–	0.2	0.2	–	0.1
Trade and other payables	–	(0.4)	–	(0.2)	(0.1)
Deferred taxation	(7.5)	(0.1)	–	–	(0.1)
Finance leases	–	(0.1)	–	–	–
Net assets acquired	60.5	0.8	0.6	0.8	0.9
Goodwill	27.5	0.8	0.1	–	0.5
Consideration	88.0	1.6	0.7	0.8	1.4
Satisfied by:					
Cash to Vendors	88.0	1.6	0.7	0.8	1.4

Post acquisition results

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

	£'m
Revenue	18.3
Profit before tax since acquisition included in the Consolidated statement of comprehensive income	7.0

If the acquisitions had been completed on the first day of the financial year, Group revenue would have been £207.3m and Group continuing profit before tax would have been £20.9m. As explained in note 5, following the acquisitions a number of restructuring costs are incurred, and after this post acquisition restructuring the acquisitions have a positive impact on Group profit before tax.

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

12. Assets Classified as Held for Sale

The assets and liabilities related to ITP Group Holdings Limited (ITP) have been presented as held for sale (note 35).

Assets classified as held for sale	2018 £'m	2017 £'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	–

Notes to the Group financial statements
continued

13. Intangible Assets

	Goodwill £'m	Customer relationships £'m	Trade names £'m	Applications software £'m	Total £'m
Cost					
1 January 2017	131.5	74.5	4.3	3.1	213.4
Additions – external	–	–	–	1.0	1.0
Disposals	–	–	–	(0.3)	(0.3)
Arising on acquisition of subsidiaries	4.3	3.7	–	–	8.0
31 December 2017	135.8	78.2	4.3	3.8	222.1
1 January 2018	135.8	78.2	4.3	3.8	222.1
Additions – external	–	–	–	1.2	1.2
Arising on acquisition of subsidiaries	28.9	47.4	–	–	76.3
Transferred to assets held for sale	(1.3)	(1.6)	–	–	(2.9)
31 December 2018	163.4	124.0	4.3	5.0	296.7
Accumulated amortisation and impairment					
1 January 2017	10.6	9.3	1.3	1.9	23.1
Charge for the year	–	4.5	0.3	0.6	5.4
Disposals	–	–	–	(0.3)	(0.3)
31 December 2017	10.6	13.8	1.6	2.2	28.2
1 January 2018	10.6	13.8	1.6	2.2	28.2
Charge for the year	–	6.0	0.3	0.7	7.0
Transferred to assets held for sale	–	(0.4)	–	–	(0.4)
31 December 2018	10.6	19.4	1.9	2.9	34.8
Carrying amount at 31 December 2018	152.8	104.6	2.4	2.1	261.9
Carrying amount at 31 December 2017	125.2	64.4	2.7	1.6	193.9
Carrying amount at 1 January 2017	120.9	65.2	3.0	1.2	190.3

The customer relationships have a remaining life of 4–20 years. Amortisation is charged to profit or loss as an administrative expense. In 2017 amortisation of £0.1m has been included within discontinued operations.

Notes to the Group financial statements
continued

The changes to goodwill during the year were as follows:

	£'m
Cost	
1 January 2017	131.5
Acquired – ID Secured	0.1
Acquired – The ITAD Works	0.8
Acquired – Baxter Confidential	1.0
Acquired – Lombard	1.3
Adjusted – PHS DS	1.1
31 December 2017	135.8
Acquired – TNT	27.5
Acquired – ORS	0.8
Acquired – Spinnaker	0.1
Acquired – Safe-Shred	0.5
Transferred to assets held for sale	(1.3)
31 December 2018	163.4
Accumulated impairment	
1 January 2017 and 31 December 2017	10.6
31 December 2018	10.6
Carrying amount at 31 December 2018	152.8
Carrying amount at 31 December 2017	125.2
Carrying amount at 1 January 2017	120.9

Allocation to cash-generating units

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

	2018 £'m	2017 £'m
Document Management	146.4	117.7
Relocation	6.4	7.5
	152.8	125.2

Annual test for impairment

For the purpose of impairment testing, goodwill and other intangibles are allocated to business segments which represent the lowest level at which that those assets are monitored for internal management purposes. The recoverable amount of each cash-generating unit is determined from value-in-use calculations. The calculations use pre-tax cash flow projections based on financial budgets approved by the Directors for year one and cash flow projections for years two and three using growth rates that are considered to be in line with the general trends in which each cash-generating unit operates. Terminal cash flows are based on these 3 year projections, assumed to grow perpetually at 1%. In accordance with IAS 36, the growth rates for beyond the forecasted three years do not exceed the long-term average growth rate for the industry. The key assumptions forming inputs to the cash flows are in revenues and margins. Revenues for 2019 have been assessed by reference to existing contracts and market volumes. Margins have been assumed to be consistent with those currently achieved in the Document Management and Relocation divisions. The forecasts have been discounted at a pre-tax rate of 7.6% (2017: 13.3%). This discount rate was calculated using a pre-tax rate based on the weighted average cost of capital for the Group. This has changed during the year as a result of changes in both the cost of equity and cost of debt for the Group. The key assumptions used for the value in use calculations are as follows:

Notes to the Group financial statements
continued

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

Sensitivity

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

14. Property, Plant and Equipment

	Freehold and long leasehold land & buildings £'m	Leasehold improvements £'m	Racking plant & machinery £'m	Office equipment fixtures & fittings £'m	Motor vehicles £'m	Total £'m
Cost						
1 January 2017	12.4	9.0	29.5	3.4	3.4	57.7
Additions	0.4	0.9	2.2	0.7	0.1	4.3
Disposals	–	–	–	(0.3)	(0.2)	(0.5)
Acquisitions	–	–	0.2	–	0.1	0.3
31 December 2017	12.8	9.9	31.9	3.8	3.4	61.8
1 January 2018	12.8	9.9	31.9	3.8	3.4	61.8
Reclassification	–	–	–	0.5	(0.1)	0.4
Additions	0.3	4.0	3.9	0.7	–	8.9
Disposals	–	(0.1)	(1.2)	(0.5)	–	(1.8)
Acquisitions	16.9	2.0	4.5	0.2	0.1	23.7
Transferred to assets held for sale	–	–	–	(0.2)	–	(0.2)
31 December 2018	30.0	15.8	39.1	4.5	3.4	92.8
Accumulated depreciation						
1 January 2017	1.0	1.3	6.2	1.1	0.5	10.1
Charge for the year	0.2	1.0	3.3	0.8	0.7	6.0
Disposals	–	–	–	(0.3)	(0.1)	(0.4)
31 December 2017	1.2	2.3	9.5	1.6	1.1	15.7
1 January 2018	1.2	2.3	9.5	1.6	1.1	15.7
Reclassification	–	–	–	0.4	–	0.4
Charge for the year	0.4	1.3	3.7	0.8	0.7	6.9
Disposals	–	(0.1)	(0.5)	(0.5)	(0.1)	(1.2)
Transferred to assets held for sale	–	–	–	(0.1)	–	(0.1)
31 December 2018	1.6	3.5	12.7	2.2	1.7	21.7
Net book value						
31 December 2018	28.4	12.3	26.4	2.3	1.7	71.1
31 December 2017	11.6	7.6	22.4	2.2	2.3	46.1
31 December 2016	11.4	7.7	23.3	2.3	2.9	47.6

Notes to the Group financial statements
continued

Capital expenditure contracted for but not provided in the financial statements is shown in note 32.

Depreciation is charged to profit or loss as an administrative expense. Motor vehicles with a net book value of £0.1m (2017: £0.1m) were held under finance leases.

15. Inventories

	2018 £'m	2017 £'m
Finished goods and goods for resale	1.1	2.0

£5.3m (2017: £8.1m) of inventories were recognised as an expense in cost of sales in the year.

16. Trade and Other Receivables

	2018 £'m	2017 £'m
Trade receivables	34.9	29.2
Less: provision for impairment of trade receivables	(1.8)	(0.7)
Trade receivables – net	33.1	28.5
Other receivables	1.0	1.2
Prepayments and accrued income	14.6	13.7
	48.7	43.4

Customer incentives of £3.0m (2017: £2.3m) are included within prepayments and £1.3m (2017: £1.1m) in respect of those customer incentives have been credited to the Income Statement.

The average credit period is 52 days (2017: 50 days). No interest is charged on the trade receivables for the first 30 days from the date of the invoice. Thereafter, interest may be charged at 2% per annum on the outstanding balance.

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

Movement in the allowance for impairment	**2018 £'m**	2017 £'m
1 January	0.7	0.4
Increase in amount recognised in profit or loss	1.1	0.3
31 December	1.8	0.7

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. See note 20 for an analysis of trade receivables that were past due but not impaired.

Notes to the Group financial statements
continued

17. Trade and Other Payables

	2018 £'m	2017 £'m
Trade payables	12.7	10.7
Other taxation and social security	6.4	5.6
Other payables	1.8	0.9
Accruals and deferred income	12.4	16.3
	33.3	33.5

The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame. Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period for trade purchases is 49 days (2017: 46 days).

18. Financial Liabilities – Borrowings

	2018 £'m	2017 £'m
Current		
Bank loans and overdrafts	0.8	0.4
Bank loans – secured	–	9.3
Deferred financing costs	–	(0.3)
	0.8	9.4
Non-current		
Bank loans – secured	123.3	80.4
Deferred financing costs	(1.1)	(0.9)
	122.2	79.5

The bank debt is due to The Royal Bank of Scotland plc, Barclays Bank plc, Lloyds Bank plc and Bank of Ireland and is secured by a fixed and floating charge over the assets of the Group. The interest rate profile and an analysis of borrowings is given in note 20. Under the bank facility the Group is required to meet quarterly covenant tests in respect of interest cover and leverage.

All tests were met during the year and the Directors expect to continue to meet these tests.

Analysis of net debt

	2018 £'m	2017 £'m
Cash at bank and in hand	11.7	10.7
Bank loans due within one year	(0.8)	(9.4)
Bank loans due after one year	(122.2)	(79.5)
	(111.3)	(78.2)

Notes to the Group financial statements
continued

19. Other Financial Liabilities

	2018 £'m	2017 £'m
Obligations under finance leases – present value of finance lease liabilities	0.3	0.3
Repayable by instalments:		
In less than one year	0.2	0.1
In two to five years	0.1	0.2
Over five years	–	–
	0.3	0.3

20. Financial Instruments

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

	2018 £'m	2017 £'m
Cash and cash equivalents	10.9	10.3

As noted on page 57, the Group adopted IFRS 9 from 1 January 2018. A new expected credit loss model has been applied which permits a simplified approach for the Group's impairment of trade receivables and has been applied from 1 January 2018. This model applies a credit risk percentage based upon historical risk of default against receivables that are grouped into age brackets. Using the receivables balance at 31 December 2017, the payment profile and level of bad debts experienced. The group's trade receivables share similar risk characteristics and therefore we have chosen to apply the same default percentage of 1.3% on all outstanding receivables. The Group has a low credit risk on its trade receivables and historic defaults and as a result the impact of applying IFRS 9 on the results and did not result in any changes.

As at 31 December 2018, trade receivables of £4.8m (2017: £3.6m) were past due but not impaired.

These relate to a number of independent customers with no recent history of default. The ageing analysis of these trade receivables is as follows:

	2018 £'m	2017 £'m
60–90 days	1.5	1.3
Greater than 90 days	3.3	2.3

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

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

	2018 £'m	2017 £'m
Loans and receivables	34.1	30.2
Financial liabilities measured at amortised cost	(18.7)	(32.5)

Currency and interest rate risk profile of financial liabilities

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

Notes to the Group financial statements
continued

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

Currency	Total £'m	Floating rate financial liabilities £'m	Weighted average interest rates %
Sterling at 31 December 2018	123.0	123.0	2.5
Sterling at 31 December 2017	88.9	88.9	2.3

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

	2018 £'m	2017 £'m
6 months or less	123.0	88.9

Interest rate sensitivity

At 31 December 2018, if interest rates had been 50 basis points higher and all other variables were held constant, it is estimated that the Group's profit before tax would be approximately £0.6m (2017: £0.5m) lower. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings and is based on the change taking place at the beginning of the financial year and held constant throughout the year.

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

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

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

Maturity of financial liabilities

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

	Bank Debt £'m	**Other financial liabilities* £'m**	**2018 Total £'m**	Bank Debt £'m	Other financial liabilities* £'m	2017 Total £'m
Within one year, or on demand	0.8	0.2	1.0	9.4	0.1	9.5
Between one and two years	–	0.1	0.1	7.0	0.2	7.2
Between two and five years	122.2	–	122.2	72.5	0.1	72.6
	123.0	0.3	123.3	88.9	0.4	89.3

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

Borrowing facilities

As part of the acquisition of TNT the Group extended its bank facilities. This included the extension of the banking syndicate from two to four banks. The Company has a finance facility with The Royal Bank of Scotland plc, Barclays Bank plc, Lloyds Bank Plc and the Bank of Ireland which expires on 4 November 2022. The enlarged facilities consist of a single £160m RCF (which is partly reduced by an on demand net overdraft facility of £1.5m). In addition there is an uncommitted accordion facility (RCF) of £30.0m, and an overdraft of £1.5m. An offset facility is in place and on a gross basis; £11.8m of the overdraft facility was unutilised at 31 December 2018 (2017: £11.8m). Details of security are given in note 18. Committed but undrawn borrowing facilities as at 31 December 2018 amounted to £35.1m (2017: £33.3m).

All of the Company's borrowings are in sterling.

Notes to the Group financial statements
continued

Fair values of financial assets and financial liabilities

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

Interest rate management

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

21. Deferred Tax

Summary of balances

	2018 £'m	2017 £'m
Deferred tax liabilities	(17.6)	(13.3)
Deferred tax asset	2.5	3.9
Net position at 31 December	(15.1)	(9.4)

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

	2018 £'m	2017 £'m
1 January	(9.4)	(10.4)
Credit to income statement for the year	2.8	–
Tax (charged)/credited directly to equity	(0.8)	1.4
Acquisitions	(7.7)	(0.4)
31 December	(15.1)	(9.4)

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

Deferred tax liabilities

	Accelerated capital allowances £'m	**Intangible assets £'m**	**Properties £'m**	**Total £'m**
1 January 2017	(0.7)	(11.6)	(0.9)	(13.2)
(Charge)/credit to income statement for the year	(0.3)	0.6	–	0.3
Acquisitions	–	(0.4)	–	(0.4)
31 December 2017	(1.0)	(11.4)	(0.9)	(13.3)
Credit to income for the year	–	3.4	–	3.4
Acquisitions	–	(7.7)	–	(7.7)
31 December 2018	(1.0)	(15.7)	(0.9)	(17.6)

Deferred tax liabilities are analysed as follows:

Current	–	(3.4)	–	(3.4)
Non- current	(1.0)	(12.3)	(0.9)	(14.2)
Total	(1.0)	(15.7)	(0.9)	(17.6)

Notes to the Group financial statements
continued

Deferred tax assets

	Share-based payments £'m	Losses £'m	Depreciation in excess of capital allowances £'m	Provisions £'m	Total £'m
1 January 2017	0.5	0.7	0.4	1.2	2.8
Credit/(charge) to income for the year	0.2	(0.2)	(0.4)	0.1	(0.3)
Transactions with owners	1.4	–	–	–	1.4
31 December 2017	2.1	0.5	–	1.3	3.9
Charge to income for the year	(0.1)	(0.2)	–	(0.3)	(0.6)
Transactions with owners	(0.8)	–	–	–	(0.8)
31 December 2018	1.2	0.3	–	1.0	2.5

Deferred tax assets are analysed as follows:

Current	0.1	0.2	–	0.3	0.6
Non- current	1.1	0.1	–	0.7	1.9
Total	1.2	0.3	–	1.0	2.5

A deferred tax asset has been recognised on the expected future tax deductions on the exercise of share options. An amount of £0.8m (2017: £1.4m charged) has been credited to equity.

A deferred tax asset of £'nil (2017: £0.5m) has been recognised on brought forward tax losses due to greater certainty over recoverability of the asset.

22. Provisions

	Onerous lease provision £'m	Dilapidation provision £'m	Total £'m
1 January 2017	6.9	0.1	7.0
Used during the year	(1.0)	–	(1.0)
Arising during the year acquisition of PHS	–	1.0	1.0
Arising during the year	0.4	–	0.4
Released during the year	(0.3)	–	(0.3)
31 December 2017	6.0	1.1	7.1
Used during the year	(1.0)	(0.1)	(1.1)
31 December 2018	5.0	1.0	6.0

The onerous lease provision relates to future payments at above market rents on onerous leases on a number of sites expiring before March 2030. £0.9m of costs are expected to be incurred within one year and the balance over the next seven years. This provision has been discounted at 6%, being the market commercial property yield rates (2017: 6%).

Provisions are analysed as follows:

	2018 £'m	2017 £'m
Current	0.9	1.5
Non-current	5.1	5.6
Total	6.0	7.1

Notes to the Group financial statements
continued

23. Called Up Share Capital

	2018 £'m	2017 £'m
Authorised:		
199,000,000 ordinary shares of 5p each	10.0	10.0
Allotted, issued and fully paid:		
123,940,899 (2017: 112,962,586) ordinary shares of 5p each	6.2	5.6

The issued ordinary share capital is as follows:

Date	Number of ordinary shares	Issue price
1 January 2017	112,067,479	5.0p
23 January 2017 – exercise of share options	60,187	5.0p
20 April 2017 – exercise of share options	15,591	5.0p
21 April 2017 – exercise of share options	586,358	5.0p
28 April 2017 – exercise of share options	16,268	5.0p
9 June 2017 – exercise of share options	32,717	5.0p
18 September 2017 – exercise of share options	35,776	5.0p
25 September 2017 – exercise of share options	75,366	5.0p
13 November 2017 – exercise of share options	36,410	5.0p
15 December 2017 – exercise of share options	36,434	5.0p
31 December 2017	112,962,586	
18 January 2018 – exercise of share options	18,500	5.0p
11 April 2018 – exercise of share options	800,000	5.0p
1 May 2018 – equity raised to acquire TNT	10,100,000	510.0p
2 May 2018 – exercise of share options	36,132	5.0p
2 November 2018 – exercise under SAYE scheme	347	432.0p
14 November 2018 – exercise of share options	23,334	5.0p
31 December 2018	123,940,899	

The 877,966 (2017: 895,107) ordinary shares shown as issued above as a result of the exercise of share options were net-settled at market price on the day of exercise (note 29).

24. Share Premium Account

	2018 £'m	2017 £'m
1 January	100.9	100.9
Premium on shares issued during the year	51.0	–
Share issue costs	(1.6)	–
31 December	150.3	100.9

Notes to the Group financial statements
continued

25. Other Reserves

Share-based payments reserve	2018 £'m	2017 £'m
1 January	3.2	2.4
Charge for the year	1.0	0.6
Cash settlement of EIP options	–	(0.8)
Current tax on share-based payments charge	(0.8)	–
Deferred tax on share-based payments charge	0.8	1.4
Transfers*	(0.4)	(0.4)
31 December	3.8	3.2

* A net amount of £0.4m has been reclassified from share-based payments reserve to retained earnings in respect of lapsed and exercised options (2017: £0.4m).

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

26. Retained Earnings

	2018 £'m	2017 £'m
1 January	46.2	43.2
Profit for the year	15.7	7.8
Dividends	(6.6)	(4.9)
Transfers*	0.4	0.4
Minority interest	–	(0.3)
31 December	55.7	46.2

* A net amount of £0.4m has been reclassified from share-based payments reserve to retained earnings in respect of lapsed and exercised options (2017: £0.4m).

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

Notes to the Group financial statements
continued

27. Cash Inflow from Operations

Continuing operations	2018 £'m	2017 £'m
Profit before tax	21.0	9.9
Depreciation of property, plant and equipment	6.9	6.0
Amortisation of intangible assets	7.0	5.3
Net finance costs	3.8	2.5
Share-based payments charge	1.0	0.6
Share-based payments charge on cash-settled EIP options	–	7.2
Cash settlement of EIP options	–	(7.9)
Gain on disposal of property, plant and equipment	(0.2)	–
Decrease in inventories	–	0.3
Increase in trade and other receivables	(4.7)	(4.1)
Decrease in trade and other payables	(2.4)	(4.1)
Net cash generated from operating activities	32.4	15.7

28. Pensions

The Group operates a number of defined contribution schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. The total cost charged to profit or loss of £1.4m (2017: £1.1m) represents contributions payable to these schemes by the Group at rates specified in the rules of the plan.

29. Share-Based Payments

Share option scheme

The Restore share option scheme was introduced in April 2010. Under the scheme the Remuneration Committee can grant options over shares in the Company to Directors and employees of the Group.

Options are granted at a fixed price equal to the market price of the shares under option at the date of grant. The contractual life of the option is 10 years. Awards under the scheme are generally reserved for employees at senior management level and above.

Between 2010 and 2018 the Company made grants of options to Senior Management and Directors, on which there are no performance conditions and which are exercisable within 0–10 years.

Notes to the Group financial statements
continued

Options were valued using a stochastic model. The fair value per option and the assumptions used in the calculation for the options issued in 2017 and 2018 are as follows:

Grant date	17 December 2018	19 November 2018	31 July 2018	23 May 2018	26 March 2018	11 September 2017	26 May 2017	18 February 2017	11 January 2017
Share price at grant date	337.0p	425.0p	501.0p	500.0p	499.0p	516.0p	414.0p	387.0p	380.0p
Exercise price	337.0p	425.0p	501.0p	432.0p	499.0p	516.0p	414.0p	387.0p	380.0p
Number of employees	1	1	2	625	3	3	2	1	1
Share options granted	150,000	50,000	150,000	639,626	750,000	350,000	100,000	50,000	75,000
Vesting period (years)	3	3	3	3	3	3	3	3	3
Expected volatility	30%	30%	30%	30%	30%	30%	30%	30%	30%
Option life (years)	10	10	10	–	10	10	10	10	10
Expected life (years)	6	6	6	–	6	6	6	6	6
Risk free rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Expected dividends expressed as a dividend yield	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Fair value per option	90.7p	114.4p	143.8p	129.4p	134.3p	123.9p	99.4p	95.2p	91.3p

The total fair value of options issued in the year was £1.4m (2017: £1.2m). The volatility is measured by calculating the standard deviation of the natural logarithm of share price movements.

Savings Related Share Option Scheme (Sharesave)

The Group operates a Savings Related Share Option Scheme which is open to all employees with more than 6 months continuous service. This is an approved HMRC scheme and was established in the year. Under Sharesave, participants remaining in the Group's employment at the end of the three year savings period are entitled to use their savings to purchase shares in the Company at a stated exercise price. Employees leaving for certain reasons are able to use their savings to purchase shares within six months of their leaving. On 23 May 2018 as part of the launch of the scheme 639,626 options were issued.

A reconciliation of share option movements over the two years to 31 December 2018 is:

Grant date	2018 Number	2018 Weighted average exercise price	2017 Number	2017 Weighted average exercise price
Outstanding at 1 January	4,536,429	142.5p	6,731,860	63.8p
Granted	1,100,000	473.8p	575,000	469.1p
Issued under Sharesave	639,626	432.0p	–	–
Exercised	(125,000)	232.1p	(425,000)	124.4p
Exercised from EIP	(800,000)	0p	(2,345,431)	0p
Exercised from Sharesave	(347)	432.0p	–	–
Outstanding at 31 December	5,350,708	241.6p	4,536,429	142.5p
Exercisable at 31 December	2,336,429	49.2p	1,988,715	55.9p

The 125,000 options exercised as shown in the table above were net-settled at the market price on the day of exercise and resulted in 77,966 ordinary shares being issued (note 23), (2017: 425,000 options exercised, 308,749 ordinary shares issued).

The exercisable options outstanding at 31 December 2018 had an exercise price of between 0p and 516.0p and a weighted average remaining contractual life of 5.1 years (2017: 8.3 years). The weighted average share price at exercise date for options exercised in the year was 232.1p.

Notes to the Group financial statements
continued

Executive Incentive Plan (EIP)

On 26 November 2016, the performance conditions under the EIP were met and the performance units previously held by the Directors were converted into nil-cost options which were granted on 5 December 2016. On 11 April 2018, Charles Skinner and Adam Councell exercised 600,000 and 200,000 nil costs options respectively.

The options held as at 31 December 2018 were as follows:

	Number of options 2018	Exercise Price	Date from which exercisable	Expiry date	Number of options 2017	Exercise Price
Charles Skinner	279,536	0p	26 November 2017	26 November 2023	879,536	0p
Charles Skinner	879,536	0p	26 November 2018	26 November 2023	879,536	0p
Adam Councell	93,179	0p	26 November 2017	26 November 2023	293,179	0p
Adam Councell	293,178	0p	26 November 2018	26 November 2023	293,178	0p
Adam Councell	250,000	499.0p	26 March 2021	26 March 2028	–	–

The 250,000 options included above were issued on 26 March 2018.

30. Directors and Employees

Staff costs during the year	2018 £'m	2017 £'m
Wages and salaries	56.4	49.7
Social security costs	5.8	5.0
Post employment benefits	1.4	1.1
Share-based payments charge	1.0	0.6
	64.6	56.4

Average monthly number of employees during the year	Number	Number
Directors	2	2
Management	111	104
Administration	319	330
Operatives	1,597	1,404
	2,029	1,840

Total amounts for Directors' remuneration and other benefits	2018 £'m	2017 £'m
Emoluments for Directors' services	5.2	9.9
Directors' remuneration shown above included the following amounts in respect of the highest paid Director:		
Salary and benefits	3.7	7.2

Directors exercised share options during the year as shown on page 38.

Notes to the Group financial statements
continued

Key management compensation	2018 £'m	2017 £'m
Short-term employment benefits	4.3	3.7
Social security costs	1.2	1.9
Post employment benefits	0.4	0.3
Other benefits	0.1	0.1
Share-based payments charge	1.0	0.6
Long-term incentives vesting*	4.2	8.9
	11.2	15.5

* £0.1m (2017: £1.2m) of employers national insurance has been categorised within exceptional items.

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

31. Leasing Commitments

The Group leases various premises and assets under non-cancellable operating lease agreements of varying terms.

The majority of the lease agreements are renewable at the end of the lease period at market rate.

	Land and buildings		Plant and machinery	
Future aggregate minimum lease payments under non-cancellable operating leases	**2018 £'m**	2017 £'m	**2018 £'m**	2017 £'m
– Within one year	15.7	14.4	4.2	1.7
– Within two to five years	53.2	49.2	7.2	4.7
– Over five years	78.4	73.2	0.3	0.7
	147.3	136.8	11.7	7.1

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

32. Capital Commitments

Capital expenditure	2018 £'m	2017 £'m
Contracted for but not provided in the financial statements	1.5	0.3

33. Contingent Liabilities

As noted in the Chairman's Introduction there was a fatality at Restore Datashred in October 2018. The Health and Safety Executive are at an early stage in their investigation into the accident and the Board considers that it is too early to assess the likelihood and scale of any potential liability. The Board will continue to keep this situation under review and when there is sufficient visibility to enable a pragmatic assessment of the liability to be ascertained the Company will make any provisions that are appropriate.

The Company has entered into a bank cross guarantee with its subsidiaries. The guarantee amounts to £111.3m at 31 December 2018 (2017: £78.2m). The assets of the Company and its subsidiaries are pledged as security for the bank borrowings, by way of a fixed and floating charge.

34. Related Party Transactions and Controlling Party

The remuneration of key management personnel and details of the Directors' emoluments are shown in note 29. Dividends of £82,005, £15,415, £267 (2017: £66,774, £12,552, £84) were paid to Charles Skinner, Adam Councell and Martin Towers respectively.

Charles Skinner and Adam Councell exercised nil-cost options in the year, as disclosed within the Directors' remuneration report (pages 34 to 39).

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

35. Post Balance Sheet Events

On 25 February 2019, the Company sold ITP Group Holdings Limited, its printer cartridge recycling business in exchange for a 40% stake in Ink and Toner Recycling Limited, also a printer cartridge recycling company.

The Group will be represented on Ink and Toner's Board and will account for the investment as an associate.

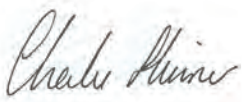
Company statement of financial position

As at 31 December 2018

	Note	**2018 £'m**	2017 £'m
ASSETS			
Non-current assets			
Intangible assets	36	181.1	113.1
Property, plant and equipment	37	51.2	30.4
Investments	38	95.5	102.2
Deferred tax asset	46	1.2	2.2
		329.0	247.9
Current assets			
Inventories	40	0.5	0.4
Trade and other receivables	41	28.7	21.5
Cash and cash equivalents	43	7.3	4.5
		36.5	26.4
Assets held directly for sale	39	1.6	–
Total assets		367.1	274.3
LIABILITIES			
Current liabilities			
Trade and other payables	42	(16.9)	(16.2)
Financial liabilities – borrowings	43	(0.8)	(9.4)
Current tax liabilities		(0.2)	–
		(17.9)	(25.6)
Non-current liabilities			
Financial liabilities – borrowings	43	(122.2)	(79.5)
Other long term liabilities	44	(32.6)	(29.9)
Deferred tax liability	46	(14.8)	(8.4)
Provisions	47	(0.4)	(0.6)
		(170.0)	(118.4)
Total liabilities		(187.9)	(144.0)
Net assets		179.2	130.3
EQUITY			
Share capital	48	6.2	5.6
Share premium account		150.3	100.9
Other reserves		3.7	3.1
Retained earnings		19.0	20.7
Equity attributable to the owners of the parent		179.2	130.3

The Company's profit for the financial year was £4.5m (2017: loss £1.7m).

These financial statements were approved by the Board of Directors and authorised for issue on 18 March 2019 and were signed on its behalf by:



Charles Skinner
Chief Executive

Adam Councell
Group Finance Director

Company statement of changes in equity

For the year ended 31 December 2018

	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 2017	5.6	100.9	2.3	26.9	135.7
Loss for the year	–	–	–	(1.7)	(1.7)
Total comprehensive income for the year	–	–	–	(1.7)	(1.7)
Transactions with owners					
Dividends	–	–	–	(4.9)	(4.9)
Transfers*	–	–	(0.4)	0.4	–
Share-based payments charge	–	–	0.6	–	0.6
Cash settlement of EIP options	–	–	(0.8)	–	(0.8)
Deferred tax on share-based payments	–	–	1.4	–	1.4
	–	–	0.8	(4.5)	(3.7)
Balance at 31 December 2017	5.6	100.9	3.1	20.7	130.3
Balance at 1 January 2018	5.6	100.9	3.1	20.7	130.3
Profit for the year	–	–	–	4.5	4.5
Total comprehensive income for the year	–	–	–	4.5	4.5
Transactions with owners					
Issue of shares during the year	0.6	51.0	–	–	51.6
Issue costs	–	(1.6)	–	–	(1.6)
Dividends	–	–	–	(6.6)	(6.6)
Transfers*	–	–	(0.4)	0.4	–
Share-based payments charge	–	–	1.0	–	1.0
	0.6	49.4	0.6	(6.2)	44.4
Balance at 31 December 2018	6.2	150.3	3.7	19.0	179.2

* A net amount of £0.4m has been reclassified from share-based payments reserve to retained earnings in respect of lapsed and exercised options (2017: £0.4m).

Company statement of cash flows

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 £'m	Year ended 31 December 2017 £'m
Net cash generated from operations	49	21.7	12.7
Net finance costs		(3.8)	(2.2)
Income taxes paid		(2.7)	(2.3)
Net cash generated from operating activities		15.2	8.2
Cash flows from investing activities			
Purchase of property, plant and equipment and applications software		(2.4)	(2.2)
Purchase of subsidiary undertakings, net of cash acquired		–	(6.3)
Purchase of trade and assets		(87.5)	(0.4)
Cash flows used in investing activities		(89.9)	(8.9)
Cash flows from financing activities			
Net proceeds from share issues		50.0	–
Dividends paid		(6.6)	(4.9)
Repayment of bank borrowings		(2.3)	(7.3)
Repayment of revolving credit facility		(8.0)	(9.0)
New bank loans raised		44.0	20.0
Net cash generated by/(used in) financing activities		77.1	(1.2)
Net increase/(decrease) in cash and cash equivalents		2.4	(1.9)
Cash and cash equivalents at start of year		4.1	6.0
Cash and cash equivalents at end of year	45	6.5	4.1
Cash and cash equivalents shown above comprise:			
Cash at bank	43	7.3	4.5
Bank overdraft	43	(0.8)	(0.4)
		6.5	4.1

Company accounting policies

These financial statements for the Company have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and EU endorsed International Financial Reporting Standards (IFRS). The Directors consider that the accounting policies as shown on pages 52 to 58 are suitable, are supported by reasonable judgements and estimates and have been consistently applied except where stated below. A summary of the more important accounting policies is as follows.

Going Concern

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

The going concern position is discussed further in the consolidated financial statements of the Group on page 52 and applies to the Company.

Company Profit And Loss Account

In accordance with section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The results for the financial year of the Company are given on page 82 of the financial statements.

Notes to the Company financial statements

For the year ended 31 December 2018

36. Intangible Assets

	Goodwill £'m	Customer relationships £'m	Applications software £'m	Total £'m
Cost				
1 January 2017	65.5	54.7	2.0	122.2
Additions – external	–	–	0.3	0.3
Arising on acquisition of subsidiaries	0.6	0.4	–	1.0
31 December 2017	66.1	55.1	2.3	123.5
1 January 2018	66.1	55.1	2.3	123.5
Reclassification*	8.6	(8.6)	–	–
Additions – external	–	–	0.5	0.5
Disposals	–	–	(0.6)	(0.6)
Arising on acquisition	27.4	44.4	–	71.8
31 December 2018	102.1	90.9	2.2	195.2
Accumulated amortisation and impairment				
1 January 2017	3.8	2.8	1.2	7.8
Charge for the year	–	2.2	0.4	2.6
31 December 2017	3.8	5.0	1.6	10.4
1 January 2018	3.8	5.0	1.6	10.4
Charge for the year	–	3.8	0.5	4.3
Disposals	–	–	(0.6)	(0.6)
31 December 2018	3.8	8.8	1.5	14.1
Carrying amount				
31 December 2018	98.3	82.1	0.7	181.1
31 December 2017	62.3	50.1	0.7	113.1
1 January 2017	61.7	51.9	0.8	114.4

* An amount of £8.6m previously recognised as customer relationships has been reclassified to goodwill.

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

Notes to the Company financial statements
continued

The changes to goodwill during the year were as follows:

	£'m
Cost	
1 January 2017	65.5
Adjusted – PHS DS	0.6
31 December 2017	66.1
1 January 2018	66.1
Reclassification*	8.6
Acquired – TNT	27.4
31 December 2018	102.1
Accumulated impairment	
1 January 2017	3.8
31 December 2017	3.8
1 January 2018	3.8
31 December 2018	3.8
Carrying amount at 31 December 2018	98.3
Carrying amount at 31 December 2017	62.3
Carrying amount 1 January 2017	61.7

Annual test for impairment

The recoverable amount of the cash generating unit is determined from value-in-use calculations. The calculations use pre-tax cash flow projections based on financial budgets approved by the Directors for year one and cash flow projections for years two and three using growth rates that are considered to be in line with the general trends in which the Company operates. Terminal cash flows are based on these 3 year projections, assumed to grow perpetually at 1%. In accordance with IAS 36, the growth rates for beyond the forecasted three years do not exceed the long-term average growth rate for the industry. The key assumptions forming inputs to the cash flows are in revenues and margins. Revenues for 2019 have been assessed by reference to existing contracts and market volumes. Margins have been assumed to be consistent with those currently achieved in the Document Management division. The forecasts have been discounted at a pre-tax rate of 7.6% (2017: 13.3%). This discount rate was calculated using a pre-tax rate based on the weighted average cost of capital for the Company. This has changed during the year as a result of changes in both the cost of equity and cost of debt for the Company.

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

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

Sensitivity

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

Notes to the Company financial statements
continued

37. Property, Plant and Equipment

	Freehold and long leasehold land & buildings £'m	Leasehold improvements £'m	Racking plant & machinery £'m	Office equipment fixtures & fittings £'m	Motor vehicles £'m	Total £'m
Cost						
1 January 2017	6.2	7.3	22.5	1.2	0.1	37.3
Additions	0.4	0.6	0.7	0.2	–	1.9
31 December 2017	6.6	7.9	23.2	1.4	0.1	39.2
1 January 2018	6.6	7.9	23.2	1.4	0.1	39.2
Additions	0.2	0.9	0.5	0.3	–	1.9
Acquisitions	16.9	1.8	4.4	0.2	–	23.3
Disposals	–	–	(1.0)	–	–	(1.0)
31 December 2018	23.7	10.6	27.1	1.9	0.1	63.4
Accumulated depreciation						
1 January 2017	0.3	1.4	3.6	0.5	–	5.8
Charge for the year	0.2	0.6	1.8	0.3	0.1	3.0
31 December 2017	0.5	2.0	5.4	0.8	0.1	8.8
1 January 2018	0.5	2.0	5.4	0.8	0.1	8.8
Charge for the year	0.4	0.9	2.0	0.3	–	3.6
Disposal	–	–	(0.2)	–	–	(0.2)
31 December 2018	0.9	2.9	7.2	1.1	0.1	12.2
Net book value						
31 December 2018	22.8	7.7	19.9	0.8	–	51.2
31 December 2017	6.1	5.9	17.8	0.6	–	30.4
1 January 2017	5.9	5.9	18.9	0.7	0.1	31.5

Capital expenditure contracted for but not provided in the financial statements is shown in note 53.

Depreciation is charged to profit or loss as an administrative expense. Assets with a net book value of £nil (2017: £nil) were held under finance leases.

Notes to the Company financial statements
continued

38. Investments

Shares in subsidiary undertakings

	£'m
Cost	
1 January 2017	129.3
Acquired – ID Secured	0.4
Acquired – The ITAD Works	1.9
Acquired – Baxter Confidential	1.6
Acquired – Lombard	2.4
Capital contribution – subsidiary share-based payment	0.4
31 December 2017	136.0
1 January 2018	136.0
Capital contribution – subsidiary share-based payment	0.6
Transferred to assets held for sale (note 39)	(1.6)
31 December 2018	135.0
Accumulated impairment	
1 January 2017 and 31 December 2017	33.8
Impairment of ITP Group Holdings	5.7
31 December 2018	39.5
Net book value	
31 December 2018	95.5
31 December 2017	102.2
1 January 2017	95.5

Notes to the Company financial statements
continued

At 31 December 2018 the Company held directly and indirectly equity and voting rights of the following undertakings:

Company	Class of holding	% held	Country of incorporation	Nature of business
Document Management Division				
All companies within this division are registered at The Databank, Unit 5 Redhill Distribution Centre, Salbrook Road, Redhill, Surrey RH1 5DY.				
*Data Solutions 2016 Limited**	Ordinary	100%	England and Wales	Shredding Services
*Datashred Limited**	Ordinary	100%	England and Wales	Dormant
*Lombard Recycling Limited**	Ordinary	100%	England and Wales	Dormant
*Baxter Confidential Limited**	Ordinary	100%	England and Wales	Dormant
*ID Secured Limited**	Ordinary	100%	England and Wales	Dormant
*Peabody QED Thurrock Management Limited	Ordinary	33%	England and Wales	Management of real estate
Optical Records Systems Limited**	Ordinary	100%	England and Wales	Dormant
ORS Group Limited**	Ordinary	100%	England and Wales	Dormant
*Restore Data Shred Limited**	Ordinary	100%	England and Wales	Dormant
*Restore Scan Limited**†	Ordinary	100%	England and Wales	Digital Services
*Restore (Spur) Limited	Ordinary	100%	England and Wales	Dormant
*Restore Shred Limited	Ordinary	100%	England and Wales	Dormant
Safe-Shred Limited**	Ordinary	100%	England and Wales	Dormant
*Wansdyke Security Limited	Ordinary	100%	England and Wales	Dormant
Relocation Division				
All UK companies within this division are registered at 2 Oriental Road, Silvertown, London, E16 2BZ.				
Function Business Relocation Limited**	Ordinary	100%	England and Wales	Dormant
*Harrow Green Limited	Ordinary	100%	England and Wales	Relocation
Relocom Limited**	Ordinary	100%	England and Wales	Lifecycle Services
*Restore Technology Limited (formerly IT Efficient Limited**)	Ordinary	100%	England and Wales	Lifecycle Services
*The ITAD Works Limited**	Ordinary	100%	England and Wales	Lifecycle Services
*ITP Group Holdings Limited**††	Ordinary	100%	England and Wales	Holding Company
International Technology Products (UK) Limited**††	Ordinary	100%	England and Wales	Printer Cartridge Recycling
International Technology Products GmbH***	Ordinary	100%	Germany	Printer Cartridge Recycling
Office Green Limited**††	Ordinary	100%	England and Wales	Printer Cartridge Recycling
Spinnaker Waste Management Limited**	Ordinary	100%	England and Wales	Dormant
Takeback Limited**††	Ordinary	100%	England and Wales	Printer Cartridge Recycling
*Diamond Relocations Limited	Ordinary	100%	England and Wales	Dormant
*Sargents Trading Limited	Ordinary	100%	England and Wales	Dormant

* Held directly

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

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

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

†† The registered address is Riley Accounting Solutions, Gable End, Sparrow Hall Business Park, Leighton Road, Edlesborough, Bedfordshire, LU6 2ES.

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

Notes to the Company financial statements
continued

39. Assets Classified as Held for Sale

Assets related to ITP Group Holdings Limited have been presented as held for sale (note 56).

Assets classified as held for sale	2018 £'m	2017 £'m
Investments	1.6	–

40. Inventories

	2018 £'m	2017 £'m
Finished goods and goods for resale	0.5	0.4

£3.0m (2017: £3.0m) of inventories were recognised as an expense in cost of sales in the year.

41. Trade and Other Receivables

	2018 £'m	2017 £'m
Due in less than one year		
Trade receivables	14.0	10.6
Less: provision for impairment of trade receivables	(0.3)	(0.1)
Trade receivables – net	13.7	10.5
Amounts due from group undertakings	0.3	0.6
Other receivables	–	1.0
Prepayments and accrued income	8.7	6.3
	22.7	18.4
Due after more than one year		
Amounts due from group undertakings	6.0	3.1
	28.7	21.5

The average credit period is 44 days (2017: 47 days). No interest is charged on the trade receivables for the first 30 days from the date of the invoice. Thereafter, interest may be charged at 2% per annum on the outstanding balance.

Trade receivables are provided for based on estimated irrecoverable amounts, determined by reference to historical loss rates and forward looking information on factors affecting the ability of customers to settle the receivable.

Movement in the allowance for impairment	2018 £'m	2017 £'m
1 January	0.1	0.2
Increase/(decrease)in amount recognised in profit or loss	0.2	(0.1)
31 December	0.3	0.1

In determining the recoverability of the trade receivables, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. See note 45 for an analysis of trade receivables that were past due but not impaired.

Notes to the Company financial statements
continued

42. Trade and Other Payables

	2018 £'m	2017 £'m
Trade payables	6.9	4.9
Amount due to group undertakings	0.2	0.3
Other taxation and social security	3.0	2.1
Other payables	2.1	0.3
Accruals and deferred income	4.7	8.6
	16.9	16.2

The Company has financial risk management policies in place to ensure that all payables are paid within the credit time frame. Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period for trade purchases is 59 days (2017: 52 days).

43. Financial Liabilities – Borrowings

	2018 £'m	2017 £'m
Current		
Overdraft on demand	0.8	0.4
Bank loans – secured	–	9.3
Deferred financing costs	–	(0.3)
	0.8	9.4
Non-current		
Bank loans – secured	123.4	80.4
Deferred financing costs	(1.2)	(0.9)
	122.2	79.5

The bank debt is due to The Royal Bank of Scotland plc, Barclays Bank plc, Lloyds Bank plc and Bank of Ireland and is secured by a fixed and floating charge over the assets of the Group. The interest rate profile and an analysis of borrowings is given in note 45. Under the bank facility the Group is required to meet quarterly covenant tests in respect of interest cover and leverage.

All tests were met during the year and the Directors expect to continue to meet these tests.

Analysis of net debt

	2018 £'m	2017 £'m
Cash at bank and in hand	7.3	4.5
Bank loans and overdrafts due within one year	(0.8)	(9.4)
Bank loans due after one year	(122.2)	(79.5)
	(115.7)	(84.4)

Notes to the Company financial statements
continued

44. Other Financial Liabilities

	2018 £'m	2017 £'m
Amount due to group undertakings	32.6	29.9

45. Financial Instruments

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

	2018 £'m	2017 £'m
Cash and cash equivalents	6.5	4.1

As noted on page 57, the Group adopted IFRS 9 from 1 January 2018. A new expected credit loss model has been applied which permits a simplified approach for the Group's impairment of trade receivables and has been applied from 1 January 2018. This model applies a credit risk percentage based upon historical risk of default against receivables that are grouped into age brackets. Using the receivables balance at 31 December 2017, the payment profile and level of bad debts experienced. The group's trade receivables share similar risk characteristics and therefore we have chosen to apply the same default percentage of 1.3% on all outstanding receivables. The Group has a low credit risk on its trade receivables and historic defaults and as a result the impact of applying IFRS 9 on the results and did not result in any changes.

As at 31 December 2018 trade receivables of £0.8m (2017: £0.2m) were past due but not impaired. These relate to a number of independent customers with no recent history of default. The ageing analysis of these trade receivables is as follows:

	2018 £'m	2017 £'m
60–90 days	0.3	0.2
Greater than 90 days	0.5	–

The main financial risks arising from the Company's financial instruments are interest rate risk and liquidity risk.

The Directors review and agree policies for managing each of these risks. Interest rates are regularly reviewed to ensure competitive rates are paid. Detailed cash flows are produced on a regular basis to minimise liquidity risks.

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

	2018 £'m	2017 £'m
Loans and receivables	14.1	12.2
Financial liabilities measured at amortised cost	(14.5)	(14.2)

Currency and interest rate risk profile of financial liabilities

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

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

Currency	Total £'m	Floating rate financial liabilities £'m	Weighted average interest rates %
Sterling at 31 December 2018	123.0	123.0	2.5
Sterling at 31 December 2017	88.9	88.9	2.3

Notes to the Company financial statements
continued

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

	2018 £'m	2017 £'m
6 months or less	123.0	88.9

Interest rate sensitivity

At 31 December 2018, if interest rates had been 50 basis points higher and all other variables were held constant, it is estimated that the Company's profit before tax would be approximately £0.6m lower (2017: loss £0.5m higher). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings and is based on the change taking place at the beginning of the financial year and held constant throughout the year.

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

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

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

Maturity of financial liabilities

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

	Bank debt £'m	Other financial liabilities* £'m	2018 Total £'m	Bank debt £'m	Other financial liabilities* £'m	2017 Total £'m
Within one year, or on demand	0.8	–	0.8	9.4	0.1	9.5
Between one and two years	–	–	–	7.0	–	7.0
Between two and five years	122.2	54.8	177.0	72.5	29.9	102.4
	123.0	54.8	177.8	88.9	30.0	118.9

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

Borrowing facilities

As part of the acquisition of TNT the Group extended its bank facilities. This included the extension of the banking syndicate from two to four banks. The Company has a finance facility with The Royal Bank of Scotland plc, Barclays Bank plc, Lloyds Bank Plc and the Bank of Ireland which expires on 4 November 2022. The enlarged facilities consist of a single £160m RCF (which is partly reduced by an on demand net overdraft facility of £1.5m). In addition there is an uncommitted accordion facility (RCF) of £30.0m, and overdraft of £1.5m. An offset facility is in place and on a gross basis; £11.8m of the overdraft facility was unutilised at 31 December 2018 (2017: £11.8m). Details of security are given in note 18. Committed but undrawn borrowing facilities as at 31 December 2018 amounted to £35.1m (2017: £33.3m).

All of the Company's borrowings are in sterling.

Fair values of financial assets and financial liabilities

The Company's financial assets and liabilities bear floating interest rates and are relatively short-term in nature.

In the opinion of the Directors the book values of the assets and liabilities equate to their fair value.

Interest rate management (see page 74)

Notes to the Company financial statements
continued

46. Deferred Tax

Summary of balances	2018 £'m	2017 £'m
Deferred tax liabilities	(14.8)	(8.4)
Deferred tax asset	1.2	2.2
Net position at 31 December	(13.6)	(6.2)

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

	2018 £'m	2017 £'m
1 January	(6.2)	(7.8)
(Charge)/credit to profit or loss for the year	(0.6)	0.3
Tax credited directly to equity	0.8	1.4
Acquisitions	(7.6)	(0.1)
31 December	(13.6)	(6.2)

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

Deferred tax liabilities

	Accelerated capital allowances £'m	Intangible assets £'m	Total £'m
1 January 2017	(0.7)	(7.3)	(8.0)
(Charge)/credit to income for the year	(0.6)	0.2	(0.4)
31 December 2017	(1.3)	(7.1)	(8.4)
Credit to income for the year	0.5	0.7	1.2
Acquisitions	–	(7.6)	(7.6)
31 December 2018	(0.8)	(14.0)	(14.8)

Deferred tax liabilities are analysed as follows:

Current	(0.5)	(0.8)	(1.3)
Non- current	(0.3)	(13.2)	(13.5)
31 December 2018	(0.8)	(14.0)	(14.8)

Notes to the Company financial statements
continued

Deferred tax assets

	Share-based payments £'m
1 January 2017	0.2
Credit to income for the year	0.6
Transactions with owners	1.4
31 December 2017	2.2
Charge to income for the year	(0.2)
Transactions with owners	(0.8)
31 December 2018	1.2

Deferred tax assets are analysed as follows:

Current	0.1
Non-current	1.1
31 December 2018	1.2

A deferred tax asset has been recognised on the share-based payments charge. An amount of £0.8m (2017: £1.4m charged) has been credited to equity.

47. Provisions

	Dilapidation provision £'m
1 January 2017	–
Arising on the acquisition of PHS	0.6
31 December 2017	0.6
Used during the year	(0.2)
31 December 2018	0.4

Provisions are analysed as follows:

	2018 £'m	2017 £'m
Non-current	0.4	0.6

48. Share Capital

	2018 £'m	2017 £'m
Authorised:		
199,000,000 ordinary shares of 5p each	10.0	10.0
Allotted, issued and fully paid:		
123,940,899 (2016: 112,067,479) ordinary shares of 5p each	6.2	5.6

Notes to the Company financial statements
continued

The issued ordinary share capital is as follows:

Date	Number of ordinary shares	Issue price
1 January 2017	112,067,479	5.0p
23 January 2017 – exercise of share options	60,187	5.0p
20 April 2017 – exercise of share options	15,591	5.0p
21 April 2017 – exercise of share options	586,358	5.0p
28 April 2017 – exercise of share options	16,268	5.0p
9 June 2017 – exercise of share options	32,717	5.0p
18 September 2017 – exercise of share options	35,776	5.0p
25 September 2017 – exercise of share options	75,366	5.0p
13 November 2017 – exercise of share options	36,410	5.0p
15 December 2017 – exercise of share options	36,434	5.0p
31 December 2017	112,962,586	
18 January 2018 – exercise of share options	18,500	5.0p
11 April 2018 – exercise of share options	800,000	5.0p
1 May 2018 – equity raised to acquire TNT	10,100,000	510p
2 May 2018 – exercise of share options	36,132	5.0p
2 November 2018 – exercise under SAYE scheme	347	432p
14 November 2018 – exercise of share options	23,334	5.0p
31 December 2018	123,940,899	

The 877,966 (2017: 895,107) ordinary shares shown as issued above as a result of the exercise of share options were net-settled at market price on the day of exercise (note 29).

Notes to the Company financial statements
continued

49. Cash Inflow From Operations

Continuing operations	2018 £'m	2017 £'m
Profit/(loss) before tax	7.0	(1.7)
Depreciation of property, plant and equipment	3.6	3.0
Amortisation of intangible assets	4.3	2.6
Impairment of investment	5.7	–
Net finance costs	4.4	2.8
Share-based payments charge	0.4	0.2
Share-based payments charge on cash-settled EIP options	–	7.2
Cash settlement of EIP options	–	(7.9)
Increase in inventories	(0.1)	(0.1)
Increase in trade and other receivables	(7.8)	(0.3)
Increase in trade and other payables	4.2	6.9
Net cash generated from continuing operations	21.7	12.7

50. Share-Based Payments

Details of the share-based payments can be found in note 29.

51. Directors and Employees

Staff costs during the year	2018 £'m	2017 £'m
Wages and salaries	17.6	14.6
Social security costs	1.8	1.5
Post employment benefits	0.5	0.3
Share-based payments charge	0.4	0.2
	20.3	16.6

Average monthly number of employees during the year	Number	Number
Directors	2	2
Management	49	53
Administration	91	64
Operatives	609	447
	751	566

Notes to the Company financial statements
continued

Total amounts for Directors' remuneration and other benefits	2018 £'m	2017 £'m
Emoluments for Directors' services	5.2	9.9
Directors' remuneration shown above included the following amounts in respect of the highest paid Director:		
Salary and benefits	3.7	7.2

Directors exercised share options during the year as shown on page 38.

Key management compensation	2018 £'m	2017 £'m
Short-term employment benefits	2.2	1.8
Social security costs	0.9	1.6
Post employment benefits	0.2	0.2
Share-based payments charge	0.4	0.2
Long-term incentives vesting*	4.2	8.9
	7.9	12.7

* £0.1m (2017: £1.2m) of employers national insurance has been categorised within exceptional items

52. Leasing Commitments

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

	Land and buildings		Plant and machinery	
Future aggregate minimum lease payments under non-cancellable operating leases	**2018 £'m**	2017 £'m	**2018 £'m**	2017 £'m
– Within one year	12.4	11.5	0.6	0.7
– Within two to five years	42.0	41.5	0.6	0.8
– Over five years	61.4	53.0	–	–
	115.8	106.0	1.2	1.5

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

53. Capital Commitments

Capital expenditure	2018 £'m	2017 £'m
Contracted for but not provided in the financial statements	0.2	0.1

54. Contingent Liabilities

As noted in the Chairman's Introduction there was a fatality at Restore Datashred in October 2018. The Health and Safety Executive are at an early stage in their investigation into the accident and the Board considers that it is too early to assess the likelihood and scale of any potential liability. The Board will continue to keep this situation under review and when there is sufficient visibility to enable a pragmatic assessment of the liability to be ascertained the Company will make any provisions that are appropriate.

The Company has entered into a bank cross guarantee. The guarantee amounts to £111.3m at 31 December 2018 (2017: £78.2m). The assets of the Company are pledged as security for the bank borrowings, by way of a fixed and floating charge.

55. Related Party Transactions and Controlling Party

Details of related party transactions can be found in note 34.

56. Post Balance Sheet Event

On 25 February 2019, the Company sold ITP Group Holdings Limited, its printer cartridge recycling business for £1.6m being current asset value in exchange for a 40% stake in Ink and Toner Recycling Limited, also a printer cartridge recycling company.

The Company will be represented on Ink and Toner's Board and will account for it as an associate.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Restore plc ("the Company") will be held at the offices of Fieldfisher LLP, Riverbank House, 2 Swan Lane, London EC4R 3TT on 21 May 2019 at 10.00am for the following purposes:

Ordinary Business

1. To receive the Company's annual accounts for the financial year ended 31 December 2018, together with the Directors' report and the auditors' report on those accounts.

2. To re-appoint PricewaterhouseCoopers LLP as auditors to the Company to hold office from the conclusion of the meeting until the conclusion of the next Annual General Meeting at which accounts are laid.

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

4. To re-appoint Adam Thomas Councell, who retires by rotation pursuant to the Company's articles of association, as a director of the Company.

5. To re-appoint Charles Bligh, who retires as a Director of the Company pursuant to the Company's articles of association, having been appointed as a Director of the Company since the last Annual General Meeting.

6. To re-appoint Susan Jane Davy, who retires as a director of the Company pursuant to the Company's articles of association, having been appointed as a director of the Company since the last Annual General Meeting.

7. To re-appoint Martin George Towers, who is retiring voluntarily, as a Director of the Company.

8. To re-appoint James Christie Falconer Wilde, who is retiring voluntarily, as a Director of the Company.

9. To re-appoint Sharon Baylay, who is retiring voluntarily, as a Director of the Company.

10. To declare a final dividend of 4.0 pence per ordinary share in respect of the year ended 31 December 2018. This dividend will be paid on 12 July 2019 to the holders of ordinary shares at 6pm on 7 June 2019 (the ex-dividend date being 6 June 2019).

Special Business

As special business, to consider and, if thought fit, to pass the following resolutions which will be proposed as to resolution 11 as an ordinary resolution and as to resolutions 12, 13, 14, and 15 as special resolutions:

11. That the Directors be and they are hereby generally and unconditionally authorised in substitution for all existing authorities (but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities) to exercise all the powers of the Company to allot equity securities (as defined in section 560 of the Companies Act 2006 (the "Act")) up to an aggregate nominal amount of £2,065,681.65 (being 41,313,633 ordinary shares of 5 pence each) provided that this authority shall, unless renewed, expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or if earlier on the date which is 15 months after the date of this Annual General Meeting, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offers agreements as if the authority conferred by this resolution had not expired.

12. That, subject to the passing of resolution number 11 above, the Directors be and they are hereby empowered, pursuant to section 570 of the Act, to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred by resolution number 11 or by way of a sale of treasury shares as if section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to:

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

    12.2 the allotment (otherwise than pursuant to paragraph 12.1 above) of equity securities up to an aggregate nominal amount of £309,852.25,

Notice of Annual General Meeting continued

and shall expire upon the expiry of the general authority conferred by resolution 11 above, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted and/or shares held by the Company in treasury to be sold or transferred after such expiry and the directors may allot equity securities and/or sell or transfer shares held by the Company in treasury in pursuance of such offers or agreements as if the power conferred by this resolution had not expired.

13. That, subject to the passing of resolution number 11 above, the Directors be and they are hereby empowered, pursuant to section 570 of the Act, to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred by resolution number 11 or by way of a sale of treasury shares as if section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to:

    13.1 the allotment of equity securities up to an aggregate nominal amount of £309,852.25; and

    13.2 used for the purposes of financing (or refinancing, if such refinancing occurs within six months of the original transaction) a transaction which the directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

    and shall expire upon the expiry of the general authority conferred by resolution 11 above, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted and/or shares held by the Company in treasury to be sold or transferred after such expiry and the Directors may allot equity securities and/or sell or transfer shares held by the Company in treasury in pursuance of such offers or agreements as if the power conferred by this resolution had not expired.

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

    14.1 the maximum number of Ordinary Shares authorised to be purchased is 12,394,089;

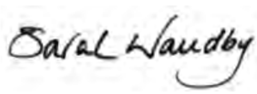
    14.2 the minimum price which may be paid for each Ordinary Share is 5 pence (exclusive of expenses payable by the Company); and

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

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

15. That the draft regulations produced to the meeting and, for the purposes of identification, initialled by the Chairman be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association.

By order of the Board



Sarah Waudby
Company Secretary
18 March 2019

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

PLEASE NOTE:

You will not receive a form of proxy for the Annual General Meeting in the post. Instructions on how to vote electronically and how to register are detailed in the Notes. You will still be able to vote in person at the Annual General Meeting, and may request a hard copy proxy form directly from the registrars, **Link Asset Services, 34 Beckenham Road, Beckenham, BR3 4TU at enquiries@linkgroup.co.uk (telephone number: 0871 664 0300).**

Notice of Annual General Meeting continued

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

1. Those Shareholders who wish to attend the Annual General Meeting in person should attend reception at Riverbank House at least 20 minutes prior to the commencement of the meeting and inform reception staff that they are attending the annual general meeting of Restore plc, which taking place in the offices of Fieldfisher LLP.

PLEASE NOTE:

All attendees will be required to present photo ID to reception staff before they will be granted access to the venue.

2. Only those members entered on the register of members of the Company at close of business on 19 May 2019 or, in the event that this meeting is adjourned, in the register of members as at close of business on the day two days before the date of any adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their names at that time. Changes to the entries on the register of members by the close of business on 19 May 2019 or, in the event that this meeting is adjourned, in the register of members before the close of business on the day two days before the date of the adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
3. A Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint another person of his/her choice as that Shareholder's proxy to exercise all or any of that Shareholder's rights to attend and to speak and vote at the meeting on his/her behalf. A Shareholder may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that Shareholder. A proxy does not need to be a shareholder of the Company.
4. In the case of joint holders, the vote of the senior member who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of any other of the joint holders. For these purposes, seniority shall be determined by the order in which the names stand on the register of members.
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.
6. You can vote either:
   - by logging on to **www.signalshares.com** and following the instructions;
   - by requesting a hard copy form of proxy directly from the registrars, Link Asset Services (previously called Capita), at mailto:enquiries@linkgroup.co.uk or on Tel: 0371 664 0300. Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales;
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

   In order for a proxy appointment to be valid a form of proxy must be completed. In each case the form of proxy must be received by Link Asset Services at PXS1 34 Beckenham Road, Beckenham, Kent, BR3 4ZF by 10.00am on 19 May 2019.
7. If you return more than one proxy appointment, either by paper or electronic communication, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all Shareholders and those who use them will not be disadvantaged.
8. The return of a completed form of proxy, electronic filing or any CREST Proxy Instruction (as described in note 11 below) will not prevent a shareholder from attending the Annual General Meeting and voting in person if he/she wishes to do so.
9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held at 10.00am on 21 May 2019 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.

Notice of Annual General Meeting continued

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

11. CREST members and, where applicable, their CREST sponsor or voting service provider should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsor or voting service provider are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

12. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

13. Any shareholder attending the Annual General Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

14. You may not use any electronic address (within the meaning of Section 333(4) of the Companies Act 2006) provided in either this Notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

15. Copies of the following documents will be available for inspection at the Company's registered office during normal working hours on any week day (Saturdays, Sundays and public holidays excepted) from the date of this notice until the date of the Annual General Meeting and at the place of the Annual General Meeting for 15 minutes prior to and during the meeting:

    - copies of all service agreements or letters of appointment under which the directors of the Company are employed or engaged by the Company.

16. Biographical details of each Director who is being proposed for re-appointment or re-election by shareholders can be found by visiting the Company's website **www.restoreplc.com**.

EXPLANATION OF RESOLUTIONS

Resolution 11 – authority to allot shares

At the last Annual General Meeting of the Company held on 21 May 2018, the Directors were given authority to allot ordinary shares in the capital of the Company up to a maximum nominal amount of £1,882,709.75 representing approximately one third of the Company's then issued ordinary share capital.

The Directors consider it appropriate that a further authority be granted to allot ordinary shares in the capital of the Company up to a maximum nominal amount of £2,065,681.65 representing approximately one third of the Company's issued ordinary share capital as at 15 March 2019 (the latest practicable date before publication of this document) during the shorter of the period up to the conclusion of the next annual general meeting in 2020 or 15 months.

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

Notice of Annual General Meeting continued

Resolution 12 – disapplication of statutory pre-emption rights

Resolution 12 will empower the Directors to allot ordinary shares in the capital of the Company for cash on a non-pre-emptive basis:

- in connection with a rights issue or other pro-rata offer to existing shareholders; and
- (otherwise than in connection with a rights issue or other pro-rata offer to existing shareholders) up to a maximum nominal value of £309,852.25, representing approximately 5 per cent of the issued ordinary share capital of the Company as at 15 March 2019 (the latest practicable date before publication of this document).

Resolution 13 – disapplication of statutory pre-emption rights to finance an acquisition or other capital investment

In addition to the powers granted by Resolution 12, Resolution 13 will empower the Directors to allot ordinary shares in the capital of the Company for cash on a non-pre-emptive basis:

- up to a maximum nominal value of £309,852.25, representing approximately 5 per cent of the issued ordinary share capital of the Company as at 15 March 2019 (the latest practicable date before publication of this document); and
- used only for the purposes of financing (or refinancing, if such financing occurs within six months of the original transaction) a transaction which the directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles of Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice.

The rights of pre-emption disapplication sought pursuant to Resolutions 12 and 13 represent, in aggregate, approximately 10% of the issued ordinary share capital of the Company as at 15 March 2019. This aggregate percentage is the same authority as sought at the last annual general meeting of the Company held on 21 May 2018, however on this occasion half of the authority sought is restricted to the financing of a qualifying acquisition or capital investment pursuant to Resolution 13.

Resolution 14 – authority to make market purchases of own shares

Resolution 14 gives the Company authority to buy back its own ordinary shares in the market as permitted by the Companies Act 2006. The authority limits the number of shares that could be purchased to a maximum of 12,394,089 (representing approximately 10 per cent. of the Company's issued ordinary share capital as at 15 March 2019 (the latest practicable date before publication of this document)), and sets minimum and maximum prices. This authority will expire at the conclusion of the next annual general meeting or, if earlier, 15 months after the resolution is passed.

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

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

Resolution 15 – adopting new articles of association

Resolution 15 adopts new articles of association of the Company. The only changes being made are to:

- increase the amount made available to the Directors as fees each year to an aggregate sum not exceeding £400,000;
- require each Director of the Company to retire from office at the Annual General Meeting after that at which he was last elected, amending the current provision which requires each director to retire from office at the third Annual General Meeting after that at which he was last elected; and
- remove provisions relating to the mental capacity of members and Directors that could be deemed contrary to the Mental Health (Discrimination) Act 2013.

Officers and advisers

Company Secretary
Sarah Waudby

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

Nominated Adviser & Broker
Peel Hunt LLP
Moor House
120 London Wall
London, EC2Y 5ET

Public Relations
FTI Consulting
200 Aldersgate
Aldersgate Street
London, EC1A 4HD

Investor Relations Consultants
RMS Partners
160 Fleet Street
London, EC4A 2DQ

Independent Auditor
PricewaterhouseCoopers LLP
1 Embankment Place
London, WC2N 6RH

Solicitors
Fieldfisher LLP
Level 5
Free Trade Exchange
37 Peter Street
Manchester, M2 5GB

Bankers
Barclays Bank PLC
1 Churchill Place
London, E14 5HP

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

Lloyds Bank PLC
The Atrium
Davidson House
Forbury Square
Reading, RG1 3EU

Bank of Ireland
Bow Bells house
1 Bread Street
London, EC4M 9BE

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

Trading Record

	2018 £'m	2017 £'m	2016 £'m	2015 £'m	2014 £'m
Revenue	195.5	172.0	129.4	91.9	67.5
Adjusted profit before taxation*	37.5	31.3	23.0	16.3	12.0
Adjusted earnings per share*	25.2p	22.4p	17.9p	15.6p	12.3p
Net debt	111.3	78.2	72.3	60.6	30.9
Net Assets	216.0	155.9	152.1	104.7	67.0

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

Financial calendar

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

Designed and printed by Perivan

Restore plc

Head Office
15/19 Cavendish Place
London, W1G 0QE

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

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

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

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

T: 0800 376 4422
E: customerhub@restore.co.uk
W: www.restore.co.uk/datashred

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

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

Restore Harrow Green
2 Oriental Road, Silvertown,
London, E16 2BZ

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

Restore Technology
Cardington Point, Telford Way,
Bedford, MK42 0PQ

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