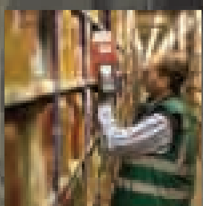
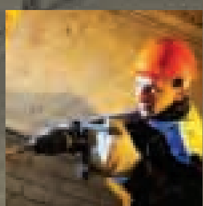
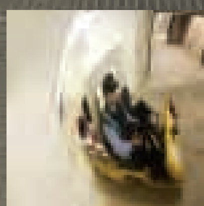
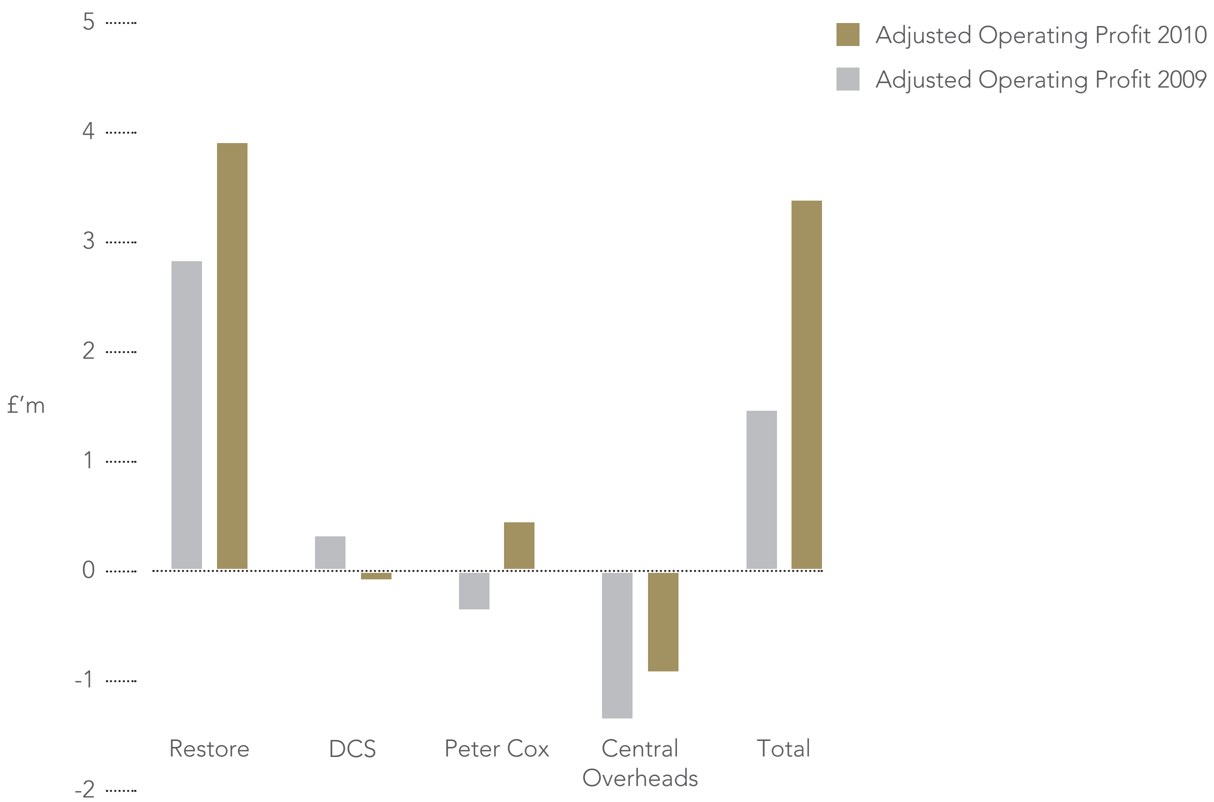
RESTORE PLC


# ANNUAL REPORT AND ACCOUNTS 2010

> I AM PLEASED TO REPORT A RETURN TO PROFITABILITY BY THE GROUP...

# KEY FIGURES




## FINANCIAL HIGHLIGHTS

| | 2010 | 2009 |
|---|---|---|
| Continuing operations | | |
| Revenue | £27.7m | £27.0m |
| Adjusted* EBITDA | £4.0m | £2.1m |
| Adjusted* operating profit | £3.4m | £1.5m |
| Adjusted* profit/(loss) before tax | £2.7m | £(0.1)m |
| Adjusted* earnings/(loss) per share** | 4.3p | (1.2p) |
| Net bank debt*** | £10.0m | £11.6m |

*before discontinued operations, exceptional items (including exceptional finance costs), amortisation and impairment of intangible assets and share based payments (charge)/credit
**calculated based on the shares in issue at the year end and a standard tax charge
***before subordinated loans of £2.3m (2009: £10m)

## UNADJUSTED FINANCIAL HIGHLIGHTS

| | | |
|---|---|---|
| Continuing operations | | |
| Operating profit/(loss) | £1.8m | (£3.8m) |
| Profit/(loss) before tax | £0.7m | (£7.8m) |
| Earnings/(loss) per share from continuing operations | 3.5p | (81.8p) |

# OFFICERS, ADVISERS & DIRECTORS

### SECRETARY
**Sarah Waudby**

### NOMINATED ADVISER & BROKER
**Cenkos Securities plc**

6-8 Tokenhouse Yard
London EC2R 7AS

### SOLICITORS
**Brabners Chaffe Street LLP**

55 King Street
Manchester M2 4LQ

### REGISTRARS
**Capita Registrars**

The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

### REGISTERED NUMBER & OFFICE
05169780
The Databank Unit 5
Redhill Distribution Centre
Salbrook Road
Redhill
Surrey RH1 5DY

### INDEPENDENT AUDITORS
**Baker Tilly UK Audit LLP**

Baker Tilly UK Audit LLP
Chartered Accountants
25 Farringdon Street
London EC4A 4AB

### BANKERS
**Lloyds TSB Bank plc**

25 Gresham Street
London EC2V 7HN

**June:** New Board appointed

**June:** Sale of Ansa Group and Independent Inspections

**July:** Lloyds TSB replaced Fortis and AIB as bank. New facility arranged

**2009**

**December:** Ansa Building Services closed

**February:** Head office moved from St James's Square to Marble Arch

**March:** New Chairman appointed at Peter Cox

**April:** Geraldton subordinated debt converted into equity

**Sir William Wells, aged 71**
**BA (Cantab)**
*Non-Executive Chairman*

Sir William Wells was appointed Chairman of the Board on 8 June 2009. His career encompasses senior positions in public health, commercial property, insurance and business services. He was Managing Partner and then Chairman of Chesterton chartered surveyors for 34 years, where he oversaw their transition from a private partnership to a listed company. His other experience includes Non-Executive Director roles with AMP (UK), Henderson Group plc and Exel plc. Sir William is Chairman of ADL plc, a care home provider, CMG plc, a specialist in the care of adults with learning difficulties, and Transform plc, the leading cosmetic surgery company in the UK. He was the Chairman of the Department of Health's Commercial Advisory Board, and the NHS Appointments Commission.

**Charles Skinner, aged 50**
**MA (Oxon)**
*Chief Executive*

Charles Skinner was appointed Chief Executive of the Group on 8 June 2009. Charles was previously Chief Executive of Johnson Services Group plc and Brandon Hire plc for nine years, prior to which he was at SG Warburg, 3i plc and editor of Management Today. Charles has considerable business-to-business services experience.

**Andrew Wilson, aged 50**
**MA (Cantab), MBA Mass**
*Non-Executive Director*

Andrew Wilson joined the Board on 8 June 2009 as a Non-Executive Director. Andrew is a Non-Executive Director of Impellam Group plc, LTMS Limited, GHP AB, Digital Marketing Group plc, SUSD Limited, Shellproof Limited and Shellshock Limited. He is also a Non-Executive Director of a number of private companies, including Artefact Partners Limited and Pluto Capital Limited.

**Dr John Forrest, aged 67**
**MA (Cantab), DPhil (Oxon)**
**FREng, CBE**
*Non-Executive Director*

Dr John Forrest joined the Board on 8 November 2010 as a Non-Executive Director. He has considerable public company Board experience and has held posts at Marconi Defence Systems and the Independent Broadcasting Authority, where he led their transformation into the major broadcast and cable communications company, NTL. He was a main board director of 3i Group plc with focus on development of their international strategy. He has led both UK government and EU committees and now has a portfolio of activities, as Chairman of Boards of high growth companies in the technology, healthcare, security and IT sectors.

**2010**

**May:** Full operational integration of Wansdyke Ltd into Restore Ltd

**September:** Acquisition of Datacare

**September:** Name changed from Mavinwood to Restore

**November:** John Forrest appointed to Board

**November:** Placing of shares to raise £4m

**December:** Acquisition of Formsafe

# CHAIRMAN'S STATEMENT

## RESULTS

I am pleased to report a return to profitability by the Group. For the year to 31 December 2010 adjusted profit before tax was £2.7 million, compared to a loss of £0.1 million in 2009. Adjusted operating profit more than doubled to £3.4 million (2009: £1.5m) on revenue which rose slightly to £27.7 million (2009: £27.0 million). Adjusted fully diluted earnings per share calculated as adjusted profit for the year divided by the number of shares in issue at the year end of 46.0m (2009: 9.3m) was 4.3 pence (2009: loss 1.2 pence).

Adjusted results are defined as before discontinued operations, exceptional items (including exceptional finance costs), amortisation and impairment of intangible assets and share-based payments charge/credit.

## TRADING

Restore, our document storage business, including Datacare and Formsafe following their acquisition, continued to perform robustly. Revenue, including revenue from acquisitions of £0.6m, was £10.7 million (2009: £9.9 million) and adjusted operating profit was £3.9 million (2009: £2.8 million) including £0.2m from acquisitions made in 2010. Organic growth was comparatively slow but operating margins increased reflecting, in part, the efficiencies generated from the operational integration of the Wansdyke business into Restore.

Document Control Services ("DCS"), our scanning business, recorded an adjusted operating loss of £0.1 million (2009: £0.3 million profit) on revenue which fell over 30% to £2.0 million (2009: £2.9 million). Market conditions during the year were very tough with a slump in demand for its specialist services.

Peter Cox, the damp-proofing and timber treatment business, recorded an adjusted operating profit of £0.5 million (2009: £0.3 million loss) on revenue of £15.0 million (2009: £14.2 million). This was an impressive turnaround, with a new management structure proving effective.

Head office costs were £0.9 million (2009: £1.3 million). The Business Review that follows gives a fuller assessment of our businesses' performance and prospects.

## CORPORATE TRANSACTIONS

Datacare Limited was acquired in September 2010 from Mears plc for a consideration of £1.1 million. Formsafe Limited was acquired in December 2010 for a consideration net of cash acquired of £0.7 million. These two acquisitions of document storage businesses form part of our strategy of growing our core business through acquisition in a consolidating market.

In April 2010, Geraldton Services, our majority shareholder, converted £8 million of its subordinated debt into equity by means of a placing at the equivalent of 37.5 pence per share. In November 2010 a further £4 million of equity was raised from institutional and other shareholders by means of a placing at 26 pence per share. These equity raisings greatly strengthened the Group's net asset position facilitating the acquisitions made during the year and establishing the Group as a well-resourced business capable of rapid development.

## STATEMENT OF FINANCIAL POSITION

Net debt at the year-end was £12.3 million (2009: £21.6 million), including £2.3 million (2009: £10 million) of subordinated loans from Geraldton. Net bank debt at 31 December 2010 was £10.0 million (2009: £11.6 million).

## BOARD

We were pleased to welcome Dr John Forrest, CBE onto the board in November. He brings a wealth of experience of the IT and data world. He is a much valued addition to the Board.

## PEOPLE

We are moving forward with a strong team of experienced and dedicated staff. The senior management in our three business units all have extensive experience in their respective fields and they are well supported by knowledgeable, enthusiastic colleagues. I thank them for their commitment over the last year and look forward to them sharing in the success of the Group. We have also been fortunate to have gained excellent people in the two acquisitions we made in 2010 and I welcome them to the Group.

## STRATEGY

The bulk of our activities are in business-to-business support services, with a particular current focus on document handling. The document storage market is, at present, our core business. This market continues to grow steadily, with good earnings visibility and strong cash generation. We expect the market to consolidate into fewer suppliers over the coming years, with larger customers expected to reduce the number of their suppliers. As customers

require more information about their stored documents and seek to increase their efficiency in this area, they will be increasingly attracted to larger suppliers with a range of storage options. It is our intention to play a role in the consolidation of this market, in large part through the sort of acquisitions which we have made during 2010.

There are other related services which have a similar channel to market as those we currently offer, in the main through logistics managers in larger organisations. As a consequence we continue to look at opportunities in these fields and believe that we have the skillset to develop our activities in these areas.

## OUTLOOK

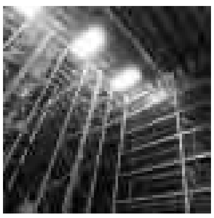
We have started the year encouragingly with performances in line with a challenging budget. In our storage business, we have seen some notable new business wins and we are confident that organic growth will be stronger than in the last two years. The integration of Datacare and Formsafe is continuing with cost savings in line with our expectations at the time of acquisition. We have developed additional storage space at Datacare's site in Oxfordshire and are also continuing to develop more space at our underground site in Wiltshire. These developments will give us adequate additional space for projected new business for the next year and for the relocation of Formsafe's storage.

The outlook at DCS is encouraging. Weekly revenue in the opening weeks of 2011 is at its highest point at any time in the last eighteen months, with a healthy order book. However, the full-year outturn will depend on volumes from certain key framework agreements which have been set up in recent months.

Peter Cox is continuing to show year-on-year revenue growth and will benefit from changes made to the cost base in 2010 feeding through for a full year.

I am confident that the current year will show significant increases in revenue and profit, partly as a result of the two acquisitions made last year. I expect that the Group will continue to develop its activities, through further acquisitions as well as organically. As a result I look forward to an exciting and profitable development of your company.

Sir William Wells
*Chairman*

The Directors believe that an adjusted measure of profit/(loss) 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:

| | 2010<br>£'000 | 2009<br>£'000 |
|---|---|---|
| Continuing operations | | |
| Profit/(loss) before tax | 699 | (7,790) |
| Share based payments charge/(credit) | 53 | (1,147) |
| Impairment of intangible assets | 382 | 5,000 |
| Restructuring/redundancies | 333 | 763 |
| Increase in onerous lease provision | 430 | – |
| Amortisation of intangible assets | 417 | 257 |
| Other exceptional | – | 420 |
| Other finance costs | 417 | 2,354 |
| Adjusted profit/(loss) before tax – continuing operations | 2,731 | (143) |

## KEY PERFORMANCE FIGURES

| | Revenue 2010 | Revenue 2009 | Adjusted* Operating Profit 2010 | Adjusted* Operating Profit 2009 |
|---|---|---|---|---|
| Restore | £10.7m | £9.9m | £3.9m | £2.8m |
| DCS | £2.0m | £2.9m | £(0.1)m | £0.3m |
| Peter Cox | £15.0m | £14.2m | £0.5m | (£0.3m) |
| Head Office Costs | – | – | £(0.9)m | (£1.3m) |
| Total | £27.7m | £27.0m | £3.4m | £1.5m |

*before exceptional items, amortisation and impairment of intangible assets and share based payments charge/credit.

## DOCUMENT STORAGE

Our document storage activities trade under the Restore brand. The recent acquisitions of Datacare and Formsafe are currently being integrated into Restore.

The majority of Restore's sales relate to the storage and retrieval of hard copy documents, typically stored in cardboard boxes. Restore also stores and retrieves individual files, magnetic data (typically for emergency backup), film and other materials. It also offers retrieval of documents by scanning. It derives additional service income from reorganisation of customer documents, document restoration, and the shredding of documents no longer required by customers. Additional products include file-tracking services enabling customers to locate documents within their own buildings. In December 2010 we launched Restore Online providing an online data backup service.

We have storage facilities in Kent, Surrey, Wiltshire, Oxfordshire and Cornwall. We are also continuing to operate Formsafe's business in Sussex and Glamorgan, but materials stored at these sites are expected to be transferred to other existing sites during the course of the current year. Restore operates from both freehold and leasehold sites.

Our main freehold property is our high-security underground facility near Bath, where we have significant spare space available for development.

Restore services a broad range of customers, predominantly across southern England and South Wales reflecting the geographical location of its storage sites. Our largest customer sector is law firms who are probably the most demanding and sophisticated users of storage services; this ensures Restore is at the cutting edge of developments in physical document storage and monitors closely the developments in electronic data management. Most other commercial, industrial and public sectors are represented amongst Restore's customer base, with particular strengths in financial services, larger corporates, councils and health trusts. These represent an excellent channel to market for other services.

Trading at Restore was robust in 2010 with adjusted operating profits increasing by £1.1 million to £3.9 million, of which £0.2 million was attributable to acquisitions. Revenue increased from £9.9 million to £10.7 million, of which £0.6 million was attributable to acquisitions. New box intake was less than had been forecast but tight cost control and the completion of the integration of the Wansdyke business with Restore resulted in an improvement in operating margins. The installation of one operating system across all of Restore was successfully completed during the year. As part of this, all the administrative functions in Wiltshire were transferred to Restore's head office in Surrey.

The acquisition of Datacare in Upper Heyford, Oxfordshire increased our geographic reach and provided us with additional high-security storage, with considerable scope to develop further storage space on the same site. It also increased our presence in the pharmaceutical sector. Administrative and logistics cost savings have been made which have enabled operating margins to be increased subsequent to the acquisition.

The acquisition of Formsafe with facilities based in Sussex and Wales follows a different model. During the course of this year we will move the documents stored with Formsafe to our existing facilities where we have spare capacity. The additional storage and service costs will be limited, sharply increasing the ongoing margins. There are very limited costs associated with leaving Formsafe's premises. We believe we can improve the service levels for Formsafe's customers and provide them with certain additional services.

Restore is a strong business, achieving industry-leading margins on the back of excellent customer service, efficient operating systems and a range of highly suitable storage facilities. It represents an excellent platform for growth as the document storage market undergoes some consolidation.

## DOCUMENT SCANNING

DCS is our Peterborough-based scanning business. Its main function is the conversion of hard-copy documents into electronic data. As part of this service, it organises and indexes the electronic versions, enabling its customers to identify and locate their data more efficiently. DCS's origins lie in the engineering sector where it has many specialist products such as Pipetracker, its own technology for tracking materials used in the construction of oil pipelines. A large percentage of its customers are in the infrastructure sector, including Network Rail and the Highways Agency.

DCS had a very difficult trading year. A large part of its business is for large, technically complex back-scanning projects. Several of its core customers continued to delay major expenditure in this area. The scanning industry in general experienced a turndown in activity which led to industry overcapacity and a significant softening in rates. As a result of these two factors, revenue at DCS fell from £2.9 million to £2.0 million. We continued to cut costs in the business, but were reluctant to cut so deeply that core skills would be lost, and thus the business would be poorly placed to benefit from any improvement in market conditions. The effect was that DCS recorded an adjusted loss for the year of £0.1 million, compared to an adjusted profit of £0.3 million in 2009. In the light of this, we have reviewed the carrying value of intangible assets attaching to DCS and have taken the decision to impair the customer relationships by £0.4 million to reflect the decline in sales to key customers over what has been a very difficult period. I am pleased to report that over the last two months we have started to see signs of DCS's business picking up.

## PETER COX

Peter Cox is the UK's leading provider of damp control, timber preservation and masonry services to private, public sector and commercial property, principally housing. It operates from 12 branches across the UK. Peter Cox has recently launched Peter Cox Solar, specialising in solar panel installation.

Unlike our document management activities, over a third of Peter Cox's business is outside the business-to-business service sector. Indeed, it is probably best-known for its services to home-owners for the last 50 years as the leading supplier of damp-proofing and timber preservation services, often used at the time of purchasing a new home. Nevertheless, the bulk of its work is providing services to local authorities (often as a subcontractor to facilities managers who rely on Peter Cox for its specialist skills) and commercial developers.

Management changes were made during the year at Peter Cox, with the appointment of a new Executive Chairman early in the year and a subsequent management restructuring. Despite the continuing weakness in the housing market, revenue increased from £14.2 million to £15.0 million. Continued focus on direct costs, together with some price rises, led to a healthy increase in gross margins. This brought Peter Cox back to profitability, with adjusted operating profit of £0.5 million, compared to an adjusted loss in the previous year of £0.3 million.

## INTEREST

Net finance costs excluding exceptional finance costs amounted to £1.1 million (2009: £2.0 million). Included within finance cost is £0.4 million (2009: £0.4 million) representing interest on the loan from Geraldton Services Inc, deferred financing costs and unwinding of the discount on the property provision.

## TAXATION

UK Corporation Tax is calculated at 28% (2009: 28%) of the estimated assessable profit/(loss) for the year. The UK Corporation Tax rate will reduce on 1 April 2011, accordingly this rate reduction has been reflected in the deferred tax balance which forms part of the statement of financial position.

## PROFIT BEFORE TAX

Profit before tax for the year ended 31 December 2010 for continuing operations was £0.7 million (2009: loss £7.8 million).

## RECONCILIATION OF REPORTED OPERATING PROFIT/(LOSS) TO ADJUSTED OPERATING PROFIT AND ADJUSTED EBITDA

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Operating profit/(loss) | 1,757 | (3,831) |
| Share based payments charge/(credit) | 53 | (1,147) |
| Impairment of intangible assets | 382 | 5,000 |
| Exceptional items | 763 | 1,183 |
| Amortisation of intangible assets | 416 | 257 |
| Adjusted operating profit | 3,371 | 1,462 |
| Depreciation | 619 | 590 |
| Adjusted EBITDA | 3,990 | 2,052 |

## KEY PERFORMANCE INDICATORS

**The key performance indicators of the business which the board regularly reviews are:**

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Adjusted profit/(loss) before tax – continuing operations | 2,731 | (143) |
| Operating cash flow generated before financing costs and tax | 1,592 | 5,155 |

The non financial indicators that are regularly monitored are customer satisfaction and retention and staff turnover ratios. Customer attrition rates are very low, as the business has strong long-term relationships and a high level of customer satisfaction. The Group has a strong team of experienced and dedicated staff and staff turnover rates are low.

## EARNINGS/(LOSS) PER SHARE (EPS)

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Basic adjusted earnings/(loss) per share from continuing operations (pence) | 4.3 | (1.2) |
| Basic earnings/(loss) per share from continuing operations (pence) | 3.5 | (81.8) |

Basic adjusted earnings per share are calculated as adjusted profit for the year less standard tax charge divided by the number of shares in issue at the year-end. Based on a weighted average number of shares in issue in 2010, adjusted earnings per share were 9.9p (2009: 0.2p).

## STATEMENT OF FINANCIAL POSITION

Net assets increased to £16.7 million (2009: £4 million) mainly as a result of the conversion of the subordinated debt. Goodwill and intangibles at 31 December 2010 was £19.8 million (2009: £18.6 million).

Property, plant and equipment totalled £12.3 million (2009: £11.5 million) principally comprising the freehold underground storage facilities at Restore SW, but also computer systems, storage racking and vehicles.

## CASH FLOW

The net cash inflow from continuing operations before capital expenditure was £1.6 million (2009: £5.2 million). Capital expenditure on the continuing business totalled £1.1 million (2009: £2.0 million) compared to depreciation of £0.6 million (2009: £0.6 million). Significant expenditure comprised the fitting out of empty space in the underground storage areas at Restore SW and installing new racking at Restore SE and SW.

## RISK MANAGEMENT

The significant financial risks the Group faces have been considered and policies have been implemented to best deal with each risk. The three most significant risks are considered to be liquidity risk, finance cost risk and customer relationship risk. The Group is wholly based in the United Kingdom so the direct exposure to exchange risk is considered to be small.

### *Liquidity risk*

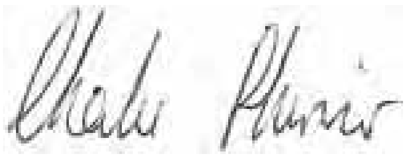
The year end net bank debt was £10.0 million (2009: £11.6m), which consisted of £12.6 million of interest bearing loans and borrowings less £2.6 million of cash and short term deposits (2009: £26.2 million of interest-bearing loans and borrowings less £4.6 million of cash and short term deposits). Net debt is monitored on a daily basis.

### *Finance cost risk*

The Group pays finance costs on its bank facilities. The bank facilities finance cost is a variable cost linked to LIBOR plus a margin. Interest rates are managed through an interest rate collar. The average finance cost on bank facilities for the Group in 2010 was 4.5% (2009: 4.5%).

### *Customer relationships*

The Group has commercial relationships with over 1,000 business customers. Attrition rates are low and relationships are strong. The largest of these accounts for less than 5% of Group revenue.



Charles Skinner
*Chief Executive*

The directors submit their report and the financial statements of Restore plc for the year ended 31 December 2010.

Restore plc is a public limited company quoted on AIM, incorporated and domiciled in England and has no branches in the European Union.

On 13 September 2010 the Company changed its name from Mavinwood plc to Restore plc.

## RESULTS

The profit before tax from continuing operations for the year ended 31 December 2010 was £0.7 million (2009 loss: £7.8 million).

## DIVIDENDS

The directors do not recommend a dividend for the year (2009: £Nil).

## PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were that of Document Storage, Document Scanning and Building Repair.

## BUSINESS REVIEW AND FUTURE DEVELOPMENTS

This is dealt with in the Chairman's statement and in the Business Review on pages 5 to 13.

## PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Group's strategies are subject to a number of risks. These are explained in the Business Review on pages 8 to 13. The principal uncertainty facing the Group is the timescale for the recovery of revenues for DCS.

## KEY PERFORMANCE INDICATORS ('KPIs')

The Group uses many different KPIs at an operational level which are specific to the business. The key KPIs are discussed in the Business Review on pages 8 to 13.

## DIRECTORS

The following directors have held office during the year:

Sir William Wells (Chairman)
Charles Skinner (Chief Executive)
Andrew Wilson (Non-Executive Director)
Dr John Forrest (Non-Executive Director)

As announced on 8 November 2010 the following director was appointed to the Board:

Dr John Forrest (Non-Executive)

Information on directors' remuneration, share options, long-term incentive plans, pension contributions and benefits is set out in the Remuneration Report on page 19.

## SHARE CAPITAL

Full details of the authorised and issued share capital of the Company, are set out in note 20 to the financial statements.

## SUBSTANTIAL SHAREHOLDINGS

At 6 April 2011 the Company had been notified of the following interests amounting to 3% or more of the Company's issued share capital:

| | Number of 0.1p ordinary shares | Percentage of issued share capital |
|---|---|---|
| Geraldton Services Inc | 26,583,259 | 57.7 |
| Legal & General | 6,925,000 | 15.0 |
| Hargreave Hale Limited | 2,682,600 | 5.8 |
| Gartmore | 1,538,000 | 3.3 |

## EMPLOYEES

The Group's people are its most important asset. Our policy is to employ the best people irrespective of race, gender, nationality, disability or sexual orientation. Consultation with employees or their representatives occurs at all levels, with the aim of ensuring their views are taken into account when decisions are made that are likely to affect their interests.

## DISABLED EMPLOYEES

Applications for employment by disabled persons are given full and fair consideration for all vacancies, having regard to their particular aptitudes and abilities. 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 in which we operate. 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.

## 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. Health and safety is a particular concern to our customers. Consequently, each of our business segments has appointed Health and Safety officers who report to their respective managing directors.

The Group's operational report to the board on a monthly basis includes a section on all health and safety matters.

## FINANCIAL RISK MANAGEMENT

Information in respect of the financial risk management objectives and policies of the Group, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used and the exposure of the Group to market risk, credit risk, liquidity risk and cash flow risk is contained in note 3.

## PAYABLES PAYMENT POLICY

The Group policy states that the relationship between the Group and its suppliers should be commercially viable, mutually beneficial and based upon trust and respect. It is Group policy to pay suppliers in accordance with terms that have been mutually agreed in advance. The creditor days were 57 at 31 December 2010 (2009: 41 days).

## POLITICAL AND CHARITABLE DONATIONS

Donations made by the Group for charitable purposes amounted to £nil (2009: £nil). The Group does not make political donations.

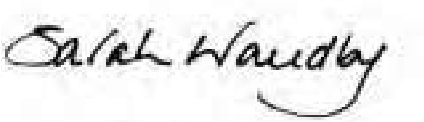
## STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Directors in office on 6 April 2011 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.

## ANNUAL GENERAL MEETING

The notice of the Annual General Meeting to be held on 3 May 2011 is set out on pages 73 to 74.

By order of the board



Sarah Waudby
Company Secretary

6 April 2011

The policy of the Board is to manage the affairs of the Company having regard to the terms of the 2008 Combined Code on Corporate Governance. The Directors support the principles underlying these requirements insofar as is appropriate for a Company of the size of Restore plc.

## THE BOARD OF DIRECTORS

The Group is led and controlled by a Board comprising one Executive Director and three Non-Executive Directors.

Board meetings are held on a regular basis and no significant decision is made other than by the directors. All directors participate in the key areas of decision-making, including the appointment of new directors. There is no separate Nomination Committee due to the current size of the Board.

The Board receives timely information on all material aspects about the Group to enable it to discharge its duties.

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

| | Number of Board meetings attended during the year ended 31 December 2010 Total 11 | Number of Audit Committee meetings attended during the year ended 31 December 2010 Total 2 | Number of Remuneration Committee meetings attended during the year ended 31 December 2010 Total 1 |
|---|---|---|---|
| **Executive Director** | | | |
| Charles Skinner | 11 | 2 | 1 |
| **Non-Executive Directors** | | | |
| Sir William Wells | 11 | 2 | 1 |
| Andy Wilson | 11 | 2 | 1 |
| Dr John Forrest* | 2 | – | – |

*appointed 8 November 2010

## DIRECTORS' REMUNERATION

The Company has an established Remuneration Committee.

Details of the remuneration of each director are set out in the Remuneration Report on page 19.

## ACCOUNTABILITY AND AUDIT

The Company has established an Audit Committee comprising the Chairman and Non-Executive Directors who are responsible for reviewing the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditors.

## RELATIONS WITH SHAREHOLDERS

The Chief Executive is the Company's principal contact for investors, fund managers, the press and other interested parties. 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 misstatement 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 Turnball guidance for directors on reporting on internal financial control.

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

## GOING CONCERN

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

## REMUNERATION COMMITTEE

The Company has an established remuneration committee consisting of the Chairman and the Non-Executive Directors.

The Chairman and Non-Executive Director are responsible for the consideration and approval of the terms of service, remuneration, bonuses, share options and other benefits of the other directors. All decisions made are after giving due consideration to the size and nature of the business and the importance of retaining and motivating management. The committee will meet at least once a year and at other times as appropriate.

## DIRECTORS' CONTRACTS AND LETTERS OF APPOINTMENT

The Company's policy on Executive Directors' service contracts is that, in line with the best practice provisions of the Combined Code, they are to be terminable by the Company on one year's notice.

The Non-Executive Directors do not have service contracts but have letters of appointment for an initial period of one year, which may be renewed by mutual agreement.

| Executive Director | Date of contract | Notice period |
|---|---|---|
| Charles Skinner | 8 June 2009 | 12 months |

| Non-Executive Directors | Date of Letter | Notice period |
|---|---|---|
| Sir William Wells | 8 June 2009 | 3 months |
| Andrew Wilson | 8 June 2009 | 3 months |
| Dr John Forrest | 8 November 2010 | 3 months |

## DIRECTORS' EMOLUMENTS

The aggregate emoluments of the directors of the Company were:

| £'000 | Salary and fees | Benefits | 2010 (ex. pension) | Pension costs | Total 2010 | 2009 (ex. pension) | Pension costs | Total 2009 |
|---|---|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | | | |
| Charles Skinner* | 320 | 2 | 322 | – | 322 | 160 | 30 | 190 |
| Kevin Mahoney | – | – | – | – | – | 365 | 23 | 388 |
| Mike Vincent | – | – | – | – | – | 329 | 50 | 379 |
| Steve Watkins | – | – | – | – | – | 96 | – | 96 |
| **Non-Executive Directors** | | | | | | | | |
| Sir William Wells* | 50 | – | 50 | – | 50 | 29 | – | 29 |
| Andrew Wilson* | 30 | – | 30 | – | 30 | 15 | – | 15 |
| Dr John Forrest | 3 | – | 3 | – | 3 | – | – | – |
| Philip Reid | – | – | – | – | – | 30 | – | 30 |
| Bob Guthrie | – | – | – | – | – | 19 | – | 19 |
| | 403 | 2 | 405 | – | 405 | 1,043 | 103 | 1,146 |

*appointed 8 June 2009

## DIRECTORS' INTERESTS IN SHARES AND OPTIONS

The beneficial interests of the Directors who were in office at 31 December 2010 in the shares of the Company, including family interests were as follows:

| | Number of 5p ordinary shares 31 December 2010 | Number of 5p ordinary shares 31 December 2009 |
|---|---|---|
| Charles Skinner | 511,415 | – |
| Sir William Wells | 318,307 | – |
| Andrew Wilson | 46,461 | 8,000 |

As at 6 April 2011 there has been no change in any of the above holdings.

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

## RESTORE SHARE OPTION SCHEME – 2010 GRANTS

The closing price for Restore shares at 31 December 2010 was 41 pence. During the year the market price of the Company's ordinary shares ranged between 17 pence and 41 pence. The following options have been granted to employees within the Group.

| Date of grant | Granted | Forfeited | Number of ordinary shares of 5p each 31 December 2010 | Exercise price | Date from which exercisable | Expiry date |
|---|---|---|---|---|---|---|
| 16 April 2010 | 3,360,000 | – | 3,360,000 | 32.5p | 16 April 2012 | 16 April 2020 |

The share options granted have no performance conditions.

The directors' interests in the 2010 share option grant are as follows:

| | Number of ordinary shares of 5p each 31 December 2010 |
|---|---|
| Charles Skinner | 1,411,200 |
| Sir William Wells | 537,600 |

## RESTORE SHARE OPTION SCHEME – GRANTS PRIOR TO 2009

Employee share options

| Date of grant | Granted | Forfeited | Number of ordinary shares of 5p each 31 December 2010 | Exercise price | Date from which fully exercisable | Expiry date |
|---|---|---|---|---|---|---|
| 17 March 2006 | 221,020 | 202,107 | 18,913 | £7.27 | 17 March 2009 | 16 March 2016 |
| 16 October 2006 | 142,483 | 136,156 | 6,327 | £7.50 | 16 October 2009 | 15 October 2016 |
| 25 April 2007 | 119,219 | 88,643 | 30,576 | £9.34 | 25 April 2010 | 24 April 2017 |
| 16 April 2008 | 37,278 | 22,032 | 15,246 | £8.00 | 16 April 2011 | 15 April 2018 |
| | 520,000 | 448,938 | 71,062 | | | |

The Company's Remuneration Committee is responsible for administering the share option scheme. The share options granted will, subject to the performance targets being met, vest in three tranches on the date of the announcement of the final results for the Group for each of the three years ending after the Date of Grant. The full vesting of each tranche of the share options granted will be subject to the Group achieving annually a performance target of a growth of adjusted earnings per share (EPS) of 10% or more over the adjusted EPS as per note 9 for the previous year. In the event that the adjusted EPS growth in each year is less than 10%, then the proportion of options that will vest shall be adjusted as follows:

| Growth in adjusted EPS in previous financial year | Percentage of ordinary shares in annual tranche which vest |
|---|---|
| no less than 6% but less than 7% | 20% |
| no less than 7% but less than 8% | 40% |
| no less than 8% but less than 9% | 60% |
| no less than 9% but less than 10% | 80% |

Any shortfall in the percentage of ordinary shares under option vesting (up to a maximum shortfall of 40%) will vest in the following year if the performance test is exceeded by an equivalent amount in that year.

The base adjusted EPS for 2004 against which the Group's EPS growth will be measured has been determined by the Remuneration Committee. The base adjusted EPS for 2004 of 0.36p was calculated on a proforma basis as though Restore had been acquired on 1 January 2004 with the debt and equity structure in place which was used to acquire the business in May 2005.

## RESTORE LONG-TERM INCENTIVE PLAN (LTIP)

No Director had any interest in the LTIP as at 31 December 2010.

The Company's Remuneration Committee is responsible for administering the LTIP.

Awards under the LTIP comprise options to acquire ordinary shares at nominal value which will be subject to performance targets. A participant granted an option under the LTIP will be required to make a payment of 5p per ordinary share on exercise of the option. Awards are first exercisable 5 years after issue, subject to attainment of performance targets.

The performance test to be applied to all awards comprises two components. The ordinary shares under the awards will vest in three equal tranches subject to satisfaction of either of two tests each year in respect of each tranche, the first test being of growth in adjusted earnings per share ("EPS") and the second of total shareholder return ("TSR").

The first test is that the average annual compounded growth in the Group's EPS exceeds the performance target percentage established at inception for the three periods each beginning 1 January and ending on 31 December three years, four years and five years later respectively. For the initial grant of awards, the base adjusted EPS for 2004 against which the Group's EPS growth will be measured has been determined by the Remuneration Committee at 0.36p.

The second performance test is based on the Group's TSR (that is share price growth plus reinvested dividends) measured over the specified periods commencing on issue date as shown in the table below:

| Years following award | TSR |
|---|---|
| 3 | 70% |
| 4 | 85% |
| 5 | 100% |

TSR shall be measured using the average share price over 20 consecutive dealing days immediately prior to the relevant anniversary following award and comparing this with the price per share at issue.

In the event that neither of the relevant performance targets is met in relation to each tranche of the LTIP award, that tranche of the award shall lapse. All payments in respect of the LTIP awards are at the discretion of the Remuneration Committee.

The total awards under the LTIP of 1,800 shares represents 0.004% of the issued ordinary share capital of 46,043,372 shares.

***Option Scheme limits***

The number of ordinary shares issued or issuable pursuant to options granted under the Share Option Scheme when aggregated with the number of ordinary shares issued or issuable pursuant to all rights granted under the Share Option Scheme within the previous period of ten years, may not exceed 5% of the Company's issued ordinary share capital at the date of grant. The comparable limit under the LTIP is 10%.

An individual's overall participation under the Share Option Scheme and LTIP is limited so that the aggregate market value at the date of grant of the ordinary shares over which awards have been granted to him cannot exceed 3% and 5% respectively of the Company's issued ordinary share capital at the date of grant.

No awards made under the LTIP were exercised during the year. No share options or awards made under the LTIP were waived in the year.

By order of the board

Sir William Wells
Chairman of the Remuneration Committee — 6 April 2011

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# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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 AIM 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 in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. for the group financial statements, state whether they have been prepared in accordance with IFRSs adopted by the EU and for the company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the company financial statements;

d. 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 the maintenance and integrity of the corporate and financial information included on the Restore plc website.

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

# Restore plc

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RESTORE PLC

For the year ended 31 December 2010

We have audited the group and parent company financial statements ("the financial statements") on pages 25 to 71. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As more fully explained in the Statement of Directors' Responsibilities set out on page 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

### OPINION ON THE FINANCIAL STATEMENTS

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2010 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

DAVID CLARK
(Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
*Chartered Accountants*
25 Farringdon Street, London EC4A 4AB

6 April 2011

# Restore plc

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

| | Note | Year ended 31 December 2010 Before exceptional items £'000 | Exceptional items £'000 | After exceptional items £'000 | Year ended 31 December 2009 Before exceptional items £'000 | Exceptional items £'000 | After exceptional items £'000 |
|---|---|---|---|---|---|---|---|
| REVENUE | 4 | 27,699 | – | 27,699 | 26,977 | – | 26,977 |
| Cost of sales | | (14,065) | – | (14,065) | (14,523) | – | (14,523) |
| Gross profit | | 13,634 | – | 13,634 | 12,454 | – | 12,454 |
| Administrative expenses | 4 | (10,732) | (763) | (11,495) | (11,249) | (1,183) | (12,432) |
| Share based payments credit | | – | – | – | – | 1,147 | 1,147 |
| Impairment of intangible assets | 11 | – | (382) | (382) | – | (5,000) | (5,000) |
| OPERATING PROFIT/(LOSS) | 5 | 2,902 | (1,145) | 1,757 | 1,205 | (5,036) | (3,831) |
| Finance income | 6 | 5 | – | 5 | 6 | – | 6 |
| Finance costs | 7 | (1,063) | – | (1,063) | (1,990) | (1,975) | (3,965) |
| PROFIT/(LOSS) BEFORE TAX | | 1,844 | (1,145) | 699 | (779) | (7,011) | (7,790) |
| Income tax (charge)/credit | 8 | (64) | 321 | 257 | 49 | 115 | 164 |
| PROFIT/(LOSS) FOR THE YEAR | | 1,780 | (824) | 956 | (730) | (6,896) | (7,626) |
| Loss from discontinued operations | 32 | (112) | – | (112) | (2,405) | – | (2,405) |
| Profit/(loss) for the year attributable to owners of the parent | | 1,668 | (824) | 844 | (3,135) | (6,896) | (10,031) |
| Total comprehensive income for the year attributable to owners of the parent | | 1,668 | (824) | 844 | (3,135) | (6,896) | (10,031) |
| Basic earnings/(loss) per share (pence) | 9 | 6.2p | (3.1)p | 3.1p | (33.6)p | (74.0)p | (107.6)p |
| Basic earnings/(loss) per share from continuing operations (pence) | 9 | 6.6p | (3.1)p | 3.5p | (7.8)p | (74.0)p | (81.8)p |

# Restore plc

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

| | Attributable to owners of the parent | | | | |
|---|---|---|---|---|---|
| | Share capital £'000 | Share premium £'000 | Share based payments reserve £'000 | Retained deficit £'000 | Total Equity £'000 |
| Balance at 1 January 2009 | 516 | 42,396 | 2,069 | (29,780) | 15,201 |
| Loss for the year | – | – | – | (10,031) | (10,031) |
| Total comprehensive income for the year | – | – | – | (10,031) | (10,031) |
| Transactions with owners | | | | | |
| Share based payments credit | – | – | (1,166) | – | (1,166) |
| Transfer in respect of lapsed options | – | – | (693) | 693 | – |
| Balance at 31 December 2009 | 516 | 42,396 | 210 | (39,118) | 4,004 |
| Balance at 1 January 2010 | 516 | 42,396 | 210 | (39,118) | 4,004 |
| Profit for the year | – | – | – | 844 | 844 |
| Total comprehensive income for the year | – | – | – | 844 | 844 |
| Transactions with owners | | | | | |
| Issues of shares during the year | 1,836 | 10,164 | – | – | 12,000 |
| Issue costs | – | (226) | – | – | (226) |
| | 1,836 | 9,938 | – | – | 11,774 |
| Share based payments charge | – | – | 53 | – | 53 |
| Balance at 31 December 2010 | 2,352 | 52,334 | 263 | (38,274) | 16,675 |

# Restore plc

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010 Company registered no: 05169780

| | Note | 31 December 2010 £'000 | 31 December 2009 Restated £'000 |
|---|---|---|---|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Intangible assets | 11 | 19,776 | 18,637 |
| Property, plant and equipment | 12 | 12,305 | 11,508 |
| Deferred tax asset | 19 | 528 | 343 |
| | | 32,609 | 30,488 |
| CURRENT ASSETS | | | |
| Inventories | 13 | 120 | 117 |
| Trade and other receivables | 14 | 7,601 | 7,105 |
| Cash and cash equivalents | 14 | 2,568 | 4,599 |
| | | 10,289 | 11,821 |
| TOTAL ASSETS | | 42,898 | 42,309 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 15 | (5,897) | (6,517) |
| Bank loans and overdrafts | 16 | (10,628) | (10,191) |
| Current tax liabilities | | (232) | – |
| Provisions | 18 | (314) | (313) |
| | | (17,071) | (17,021) |
| NON-CURRENT LIABILITIES | | | |
| Financial liabilities – borrowings | 16 | (4,313) | (15,980) |
| Deferred tax liability | 19 | (3,544) | (3,750) |
| Provisions | 18 | (1,295) | (1,554) |
| | | (9,152) | (21,284) |
| TOTAL LIABILITIES | | (26,223) | (38,305) |
| NET ASSETS | | 16,675 | 4,004 |
| EQUITY | | | |
| Share capital | 20 | 2,352 | 516 |
| Share premium account | 21 | 52,334 | 42,396 |
| Share based payments reserve | 22 | 263 | 210 |
| Retained deficit | 23 | (38,274) | (39,118) |
| CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT | | 16,675 | 4,004 |

These financial statements were approved by the board of directors and authorised for issue on 6 April 2011 and were signed on its behalf by:

Sir William Wells
Chairman

Charles Skinner
Chief Executive

# Restore plc

## CONSOLIDATED STATEMENT OF CASHFLOWS

For the year ended 31 December 2010

| | Note | Year ended 31 December 2010 £'000 | Year ended 31 December 2009 £'000 |
|---|---|---|---|
| NET CASH GENERATED FROM OPERATIONS | 24 | 1,592 | 5,155 |
| Net finance costs | | (748) | (2,538) |
| Income taxes (paid)/refunded | | (50) | 268 |
| NET CASH GENERATED FROM OPERATING ACTIVITIES | | 794 | 2,885 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of property, plant and equipment and applications software | | (1,149) | (1,977) |
| Contingent consideration | | – | (61) |
| Purchase of subsidiary including acquisition costs, net of cash acquired | 10 | (1,880) | – |
| Disposal of subsidiary, net of cash disposed and costs | | – | 12,474 |
| CASH FLOWS (USED)/GENERATED IN INVESTING ACTIVITIES | | (3,029) | 10,436 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from share issues | | 3,774 | – |
| Repayment of borrowings | | (4,000) | (19,456) |
| Repayment of indebtedness | | – | 10,000 |
| Deferred financing costs | | – | (23) |
| Increase in bank overdrafts | | 430 | 185 |
| Finance lease principal repayments | | – | (3) |
| NET CASH GENERATED/(USED) IN FINANCING ACTIVITIES | | 204 | (9,297) |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | (2,031) | 4,024 |
| CASH AND CASH EQUIVALENTS AT START OF YEAR | | 4,599 | 575 |
| CASH AND CASH EQUIVALENTS AT THE END OF YEAR | 14 | 2,568 | 4,599 |

## 1 GENERAL INFORMATION

Restore plc and its subsidiaries specifically focus on Document Handling and Emergency Repair. The Group 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 Unit 5, Redhill Distribution Centre, Salbrook Road, Redhill, Surrey RH1 5DY.

The Company is listed on the AIM market.

These Group consolidated financial statements were authorised for issue by the board of directors on 6 April 2011.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### BASIS OF PREPARATION

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

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

The consolidated financial statements are presented in pounds sterling and, unless stated otherwise, rounded to the nearest thousand pounds.

### RESTATEMENT OF COMPARATIVE INFORMATION

Comparatives have been restated for a balance of £651,000 which has been reclassified from other receivables to other payables as the Directors believe this to be a more suitable presentation.

### GOING CONCERN

The Group is reliant on financing and meets its day-to-day working capital requirements through its bank facilities which are due for renewal on 30 July 2012. The Group has prepared a budget for 2011 and forecast for 2012. These projections demonstrate the Group has sufficient funds available to operate within its finance facilities for a period of at least the next 12 months and the Directors have therefore adopted the going concern basis in preparing these 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.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### BUSINESS COMBINATION (ACQUISITIONS)

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.

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. Other changes in contingent consideration are recognised through profit or loss, unless the contingent consideration is classified as equity. In such circumstances, changes are recognised within equity.

### SEGMENTAL REPORTING

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

In the opinion of the Directors, the chief operating decision maker is the Board of Restore plc and there are three segments, Document Storage, Document Scanning and Peter Cox, whose reports are reviewed by the Board in order to allocate resources and assess performance. Segment revenue comprises sales to external customers all of whom are located in the UK. Services are provided from the UK.

### REVENUE RECOGNITION

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

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

***Sale of services – Document Storage***

Revenue from Document Storage 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.

***Sale of services – Document Scanning***

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. Revenue from time and material contracts is recognised under a percentage of completion method. Revenue is generally recognised at the contractual rates; for some time contracts the stage of completion is measured on the basis of labour hours delivered as a percentage of total hours to be delivered.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

***Sale of services – Peter Cox***

Revenue from Peter Cox represents amounts in respect of the handling of insurance claims together with ancillary services including specialist training, sub-contracting services, surveying and other services. Revenue is recognised on a percentage of completion basis of the relevant service.

***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.

DISCONTINUED OPERATIONS

Discontinued operations represent cash generating units or groups of cash generating units that have either been disposed of or classified as held for sale, and represent a separate major line of business or are part of a single co-ordinated plan to dispose of a separate major line of business. Cash generating units forming part of a single co-ordinated plan to dispose of a separate major line of business are classified within continuing operations until they meet the criteria to be held for sale.

The post-tax profit or loss of the discontinued operation is classified as a single line on the face of the Consolidated Statement of Comprehensive Income, together with any post-tax gain or loss recognised on the re-measurement of non-current assets or disposal groups on classification as held for sale to the lower of carrying amount and fair value less costs to sell or on the disposal of the assets or disposal group constituting the discontinued operation.

On changes to the composition of groups of units comprising discontinued operations, the presentation of discontinued operations within prior periods is restated to reflect consistent classification of discontinued operations across all periods presented.

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 costs and provisions made in respect of onerous leases.

GOODWILL

Goodwill arising on consolidation represents the excess of the costs 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 the profit or loss and is not subsequently reversed.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

### INTANGIBLE ASSETS

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.

Intangible assets that are regarded as having indefinite useful lives are not amortised. Intangible assets that are regarded as having limited useful lives are amortised on a straight-line basis over those lives. Assets with indefinite lives are reviewed for impairment annually and other assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of value in use or fair value less cost to sell. Amortisation and any impairment write downs are recognised immediately in the profit or loss.

***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 cashflows. This valuation also assesses the life of the particular relationship. The life of the relationship is assessed annually. Customer relationship assets are being written off on a straight line basis over a period of 6 to 14 years, except where the relationships have been assessed as having an indefinite life.

***Trade names***

Acquired trade names are identified as a separate intangible asset and valued by a third party valuer. The life of the trade name is assessed annually. Trade names are assessed as having an indefinite life due to the history of trading and the Group being a market leader in the services provided.

***Application software and IT***

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.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

| | % per annum |
|---|---|
| Freehold and long leasehold buildings | 2-5% |
| Long leasehold land | over the remaining life of the lease |
| Leasehold improvements | over the life of the lease |
| Plant and machinery | 5-50% |
| Racking | 12.5% |
| Office equipment, fixtures and fittings | 10-40% |
| Motor vehicles | 20-25% |

### 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

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

### 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.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### TRADE AND OTHER RECEIVABLES

Trade receivables, classified as loans and receivables in accordance with IAS 39 'Financial Instruments: Recognition and Measurement', are recorded initially at fair value and subsequently measured at amortised cost. A provision for impairment of trade receivables is established when there is evidence that the Group will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the assets' carrying amount and the present value of future cash flows discounted at the effective interest rate. The movement in the provision is recognised in profit or loss. Any other receivables are recognised at their initial fair value less an allowance for any doubtful amounts. An allowance is made when collection of the full amount is no longer considered probable.

### CASH AND CASH EQUIVALENTS

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

### ASSETS HELD FOR SALE

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

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

### TRADE PAYABLES

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

### BORROWINGS

Borrowings fall to be classified as other liabilities in accordance with IAS 39 and are recorded at the fair value of the consideration received, net of transaction costs. Finance charges are accounted for on an accruals basis in profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### TAXATION

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

***Current tax***

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

***Deferred tax***

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

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

### PROVISIONS

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

### PENSIONS

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

### EQUITY INSTRUMENTS

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

### SHARE BASED PAYMENT

The Group has applied the requirements of IFRS 2 Share-based Payment. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments on or after 7 November 2002 that were unvested as of 1 January 2006.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 or retained earnings if the option has vested.

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 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.

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ('IFRS')

***(a) New and amended standards adopted by the Group***

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures'. IFRS 3 (revised) is effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard was applied to the acquisitions of Datacare Business Systems and Formsafe resulting in a change in accounting policy with acquisition costs now being charged to profit or loss.

***(b) New and amended standards and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)***

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them.

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009), clarifies the accounting where assets other than cash are distributed to shareholders.

- IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009.

- IFRIC 9, 'Reassessment of embedded derivates and IAS 39, Financial instruments: Recognition and measurement', effective 1 July 2009.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

- IFRIC 16, 'Hedges of a net investment in a foreign operation' effective 1 July 2009.
- IAS 1 (amendment), 'Presentation of financial statements'.
- IAS 36 (amendment), 'Impairment of assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment.
- IFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective from 1 January 2010.
- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations.

***(c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted***

- IFRS 9, 'Financial instruments', issued in November 2009.
- Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009.
- 'Classification of rights issues' (amendment to IAS 32), issued in October 2009.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2010.
- 'Prepayments of a minimum funding requirement' (amendments to IFRIC 14).

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity 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 uses 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.

(a) Market risk

(i) Foreign exchange risk:

The Group operates in the UK and is not exposed to foreign exchange risk.

(ii) 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 2010 and 2009, the Group's borrowings at variable rates were denominated in the UK pound. The Group analyses its interest rate exposure using financial modelling. Based on the various scenarios, the Group manages its cash flow interest rate risk by using interest rate collars. Such interest rate collars have the economic effect of converting borrowings from floating rates to fixed rates at a certain level. The interest rate collar is 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 as shown in note 17.

3 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

Credit risk is managed on 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 clients before standard payment and 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 Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in note 14. 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 14.

(c) 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 (e.g. accounts receivables, other financial assets) 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. A detailed analysis of the Group's debt facilities is given in note 17.

Capital risk management

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, retained earnings and net debt as noted below. Net debt includes short and long-term borrowings (including overdrafts and lease obligations) net of cash and cash equivalents.

No changes were made in the objectives, policies or processes during the years ending 31 December 2010 and 31 December 2009.

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

Debt to Capital Ratio

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Total debt | 14,942 | 26,171 |
| Less cash and cash equivalents | (2,568) | (4,599) |
| Net debt | 12,374 | 21,572 |
| Total equity | 16,675 | 4,004 |
| Debt to capital ratio | 0.74 | 5.4 |

The decrease in gearing during 2010 resulted primarily from the conversion of the subordinated debt (note 31) and the share placing on 8 November 2010.The Group does not have any externally imposed capital requirements.

## 3 FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation

The fair value of financial instruments is market value.

Critical accounting estimates and judgements.

The preparation of the Group's financial statements requires management to make judgments, 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.

Judgments

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

Income taxes

The Group is subject to income taxes in the UK. Judgment is required in determining the provision for income taxes. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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 and other indefinite life intangibles are 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 11.

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. The assumptions and models used are disclosed in note 26.

Revenue

Revenue recognised on partially completed projects is calculated by valuing the percentage of completion.

## 4 SEGMENTAL ANALYSIS

The Group is organised into three main operating segments, Peter Cox, Document Scanning and Document Storage, and operates one service per segment as described in the business review. All trading of the Group is undertaken within the United Kingdom and the Company has no foreign operations. 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.

| | Year ended 31 December 2010 £'000 | Restated Year ended 31 December 2009 £'000 |
|---|---|---|
| REVENUE | | |
| The revenue from external customers was derived from the Group's principal activities in England (the Company's country of domicile) as follows: | | |
| Peter Cox | 14,984 | 14,217 |
| Document Scanning | 1,978 | 2,933 |
| Document Storage | 10,737 | 9,827 |
| | 27,699 | 26,977 |
| RESULTS | | |
| Continuing operations | | |
| The profit/(loss) after tax was derived from the Group's principal activities in England as follows: | | |
| Peter Cox | 446 | (345) |
| Document Scanning | (69) | 323 |
| Document Storage | 3,901 | 2,823 |
| Segment operating profit | 4,278 | 2,801 |
| Central costs | (906) | (1,339) |
| Share based payments (charge)/credit | (53) | 1,147 |
| Impairment of intangible fixed assets | (382) | (5,000) |
| Exceptional items | (763) | (1,183) |
| Amortisation of intangible assets | (417) | (257) |
| Operating profit/(loss) | 1,757 | (3,831) |
| Net finance cost | (1,058) | (1,984) |
| Exceptional financing costs | – | (1,975) |
| Profit/(loss) before tax | 699 | (7,790) |
| Income tax credit | 257 | 164 |
| Profit/(loss) after tax | 956 | (7,626) |

The exceptional items of £333,000 (2009: £1,183,000) relate to restructuring and redundancy costs (and other exceptional costs in 2009) and £430,000 (2009: £nil) relate to an increase in provision for onerous lease costs. The exceptional finance costs in 2009 primarily relate to the write-off of deferred financing costs, of £477,000, costs associated with the Lloyds TSB Bank facility of £510,000, underwriting fees of £900,000 paid to Geraldton and £88,000 of associated costs.

Major Customers

For the years ended 31 December 2010 and 2009 no customers accounted for more than 10% of the Group's total revenue.

## 4 SEGMENTAL ANALYSIS (continued)

The segmental analysis for 2009 included two segments, being Emergency Repair (Peter Cox) and Document Handling, and has been restated to split Document Handling into two segments, being Document Scanning and Document Storage.

| | Year ended 31 December 2010 £'000 | Year ended 31 December 2009 £'000 |
|---|---|---|
| Discontinued operations | | |
| RESULTS | | |
| Emergency Repair | (91) | (1,706) |
| Share based payments credit | – | 19 |
| Amortisation of intangible assets | – | (63) |
| Loss on disposal of operations | – | (463) |
| Operating loss | (91) | (2,213) |
| Net finance expense | (96) | (192) |
| Loss before tax | (187) | (2,405) |
| Income tax credit | 75 | – |
| Loss for the year from discontinued operations | (112) | (2,405) |

| | 2010 £'000 | Restated 2009 £'000 |
|---|---|---|
| Segmental assets: | | |
| Peter Cox | 6,190 | 5,737 |
| Document Storage | 31,668 | 28,559 |
| Document Scanning | 4,805 | 5,347 |
| Central | 181 | 2,223 |
| Discontinued operations | 54 | 443 |
| Total | 42,898 | 42,309 |
| Segmental liabilities: | | |
| Peter Cox | (3,394) | (2,215) |
| Document Storage | (5,180) | (5,347) |
| Document Scanning | (1,252) | (1,345) |
| Central | (16,247) | (29,204) |
| Discontinued operations | (150) | (194) |
| Total | (26,223) | (38,305) |
| Property, plant and equipment and software additions | | |
| Peter Cox | 85 | 614 |
| Document Storage | 1,063 | 1,327 |
| Document Scanning | 16 | 36 |
| Depreciation of property, plant and equipment | | |
| Peter Cox | 125 | 134 |
| Document Storage | 448 | 404 |
| Document Scanning | 46 | 52 |
| Amortisation of intangible assets | | |
| Peter Cox | 59 | 30 |
| Document Storage | 176 | 44 |
| Document Scanning | 182 | 183 |

All assets are located in the United Kingdom

## 5 OPERATING PROFIT/(LOSS)

| | Year ended 31 December 2010 £'000 | Year ended 31 December 2009 £'000 |
|---|---|---|
| The following items have been included in arriving at operating profit/(loss): | | |
| Amortisation of intangible assets – continuing operations | 417 | 257 |
| Depreciation of property, plant and equipment – continuing operations | 619 | 590 |
| Gain on disposal of property, plant and equipment | 619 | 1 |
| Impairment of intangible assets | 382 | 5,000 |
| Share based payments charge/(credit) | 53 | (1,147) |
| Operating leases – plant and machinery | 941 | 1,278 |
| Operating leases – land and buildings | 1,565 | 1,506 |
| Auditors' remuneration: | | |
| Audit services | | |
| – parent and consolidated financial statement | 35 | 30 |
| – audit of company's subsidiaries pursuant to legislation | 81 | 70 |
| Other services | – | 10 |
| Tax services | 53 | 92 |

The other services provided relate to the unaudited interim report.

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Expenses by function: | | |
| Staff costs (note 27) | 11,804 | 11,943 |
| Depreciation, amortisation and impairment | 1,417 | 5,847 |
| Premises costs | 2,770 | 2,987 |
| Materials | 1,840 | 1,760 |
| Sub-contractors | 1,965 | 2,008 |
| Selling and distribution expenses | 1,044 | 958 |
| Exceptional items | 763 | 1,183 |
| Other expenses | 4,339 | 4,122 |
| Total cost of sales and administrative expenses | 25,942 | 30,808 |

## 6 FINANCE INCOME

| | Year ended 31 December 2010 £'000 | Year ended 31 December 2009 £'000 |
|---|---|---|
| Bank interest receivable | 5 | 6 |

## 7 FINANCE COSTS

| | Year ended 31 December 2010 £'000 | Year ended 31 December 2009 £'000 |
|---|---|---|
| Interest on bank loans | 645 | 1,611 |
| Interest on loan from ultimate parent company | 363 | 132 |
| Amortisation of deferred financing costs | 8 | 155 |
| Unwind of discount | 32 | – |
| Other interest | – | 17 |
| Interest rate collar | 15 | 75 |
| | 1,063 | 1,990 |
| Exceptional finance costs | – | 1,975 |
| Total | 1,063 | 3,965 |

The exceptional costs shown above in 2009, relate to the write-off of deferred financing costs of the previous facility with Allied Irish Bank plc of £477,000, costs associated with the new facility of £510,000 which have been charged in the year, underwriting fees of £900,000 paid to Geraldton (note 31) and £88,000 of associated costs.

## 8 TAXATION

| | Year ended 31 December 2010 £'000 | Year ended 31 December 2009 £'000 |
|---|---|---|
| Current tax: | | |
| UK corporation tax on profit/(loss) for the year | 301 | – |
| Adjustments in respect of previous periods | 136 | (317) |
| Total current tax | 437 | (317) |
| Deferred tax: (note 19) | | |
| Current year | (209) | 153 |
| Adjustments in respect of previous periods | (485) | – |
| Total deferred tax | (694) | 153 |
| Total tax credit | (257) | (164) |

## 8 TAXATION (continued)

The credit for the year can be reconciled to the loss per the Consolidated Statement of Comprehensive Income as follows:

| | Year ended 31 December 2010 £'000 | Year ended 31 December 2009 £'000 |
|---|---|---|
| Profit/(loss) before tax – continuing operations | 699 | (7,790) |
| Profit/(loss) before tax multiplied by the rate of corporation tax of 28.0% | 196 | (2,181) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 42 | 104 |
| Amortisation and impairment of non-qualifying assets | 21 | 1,564 |
| Share based payments charge/(credit) | 15 | (321) |
| Difference re assets disposed | – | 129 |
| Losses not recognised for deferred tax | – | 858 |
| Tax losses utilised | (52) | – |
| Effect of different tax rate used for deferred tax | (130) | – |
| Adjustments in respect of current income tax of previous years | 136 | (317) |
| Adjustments in respect of deferred income tax of previous years | (485) | – |
| Tax credit | (257) | (164) |

## 9 EARNINGS PER ORDINARY SHARE

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

Adjusted earnings per share which are before amortisation and impairment of intangible assets, exceptional items, share based payments (charge)/credit and other finance costs have been presented in addition to the basic earnings per share since, in the opinion of the directors, this provides shareholders with a more appropriate representation of the underlying earnings derived from the Group's businesses.

## 9 EARNINGS PER ORDINARY SHARE (continued)

| | Year ended 31 December 2010 | Year ended 31 December 2009 |
|---|---|---|
| Weighted average number of shares in issue | 26,989,490 | 9,325,423 |
| Profit/(loss) for the year (£'000) | 844 | (10,031) |
| Total basic earnings/(loss) per ordinary share (p) | 3.1 | (107.6) |
| Profit/(loss) for the year – continuing operations (£'000) | 956 | (7,626) |
| Basic earnings/(loss) per ordinary share – continuing operations (p) | 3.5 | (81.8) |
| | £'000 | £'000 |
| Profit/(loss) for the year – continuing operations (£'000) | 956 | (7,626) |
| Adjustments | | |
| Amortisation of intangible assets | 417 | 257 |
| Impairment of intangible assets | 382 | 5,000 |
| Exceptional items | 763 | 1,183 |
| Share based payments charge/(credit) | 53 | (1,147) |
| Other finance costs | 417 | 2,354 |
| Current tax effect | (315) | – |
| Adjusted profit for the year – continuing operations | 2,673 | 21 |
| Adjusted basic earnings per ordinary share (p) | 9.9 | 0.2 |

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

| | | |
|---|---|---|
| Loss after taxation on ordinary activities – discontinuing operations (£'000) | (112) | (2,405) |
| Basic loss per ordinary share – discontinuing operations (p) | (0.4) | (25.8) |

There were no dilutive potential ordinary shares as all options were underwater and therefore non-dilutive.

Additional Adjusted Earnings/(Loss) Per Share

On 19 July 2010, the Company undertook a share consolidation where 50 existing ordinary shares of 0.1 pence each were exchanged for 1 new ordinary share of 5 pence each.

The additional adjusted earnings/(loss) per share, based on the 46.0 million (2009 restated: 9.3 million) ordinary shares in issue at 31 December 2010, is calculated below.

| | 2010 | 2009 |
|---|---|---|
| Adjusted profit/(loss) before taxation (£'000) (page 8) | 2,731 | (143) |
| Tax at 28% (£'000) | (765) | 40 |
| Adjusted profit/(loss) after taxation (£'000) | 1,966 | (103) |
| Adjusted earnings/(loss) per share (p) | 4.3 | (1.2) |

## 10 BUSINESS COMBINATIONS

On 6 September 2010, 100% of the share capital of Datacare Business Systems Limited, a document storage business, was acquired for cash of £1,107,000.

| | Book value at acquisition £'000 | Fair value adjustment £'000 | Fair value at acquisition £'000 |
|---|---|---|---|
| Intangible assets | 75 | 583 | 658 |
| Property, plant and equipment | 376 | – | 376 |
| Trade receivables | 243 | – | 243 |
| Other receivables | 78 | – | 78 |
| Cash | 22 | – | 22 |
| Trade and other payables | (237) | – | (237) |
| Tax liabilities | (59) | (157) | (216) |
| Net assets acquired | 498 | 426 | 924 |
| Goodwill | | | 183 |
| Consideration | | | 1,107 |
| Satisfied by: | | | |
| Cash to vendors | | | 1,107 |

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

The intangibles capitalised represent £518,000 in respect of customer relationships and £65,000 in respect of the trade name. Deferred tax at 27% has been provided on the value of intangible assets (note 19). Acquisition costs of £69,000 were incurred and have been charged to profit or loss.

On 9 December 2010, 100% of the share capital of Formsafe Limited, a document storage business, was acquired for cash of £1,000,000.

## 10 BUSINESS COMBINATIONS (continued)

| | Book value at acquisition £'000 | Fair value adjustment £'000 | Fair value at acquisition £'000 |
|---|---|---|---|
| Intangible assets | – | 540 | 540 |
| Property, plant and equipment | 69 | – | 69 |
| Trade receivables | 107 | – | 107 |
| Other receivables | 43 | – | 43 |
| Cash | 284 | – | 284 |
| Trade and other payables | (250) | – | (250) |
| Tax liabilities | (15) | (146) | (161) |
| Net assets acquired | 238 | 394 | 632 |
| Goodwill | | | 368 |
| Consideration | | | 1,000 |
| Satisfied by: | | | |
| Cash to vendors | | | 1,000 |

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

The intangibles capitalised represent £540,000 in respect of customer relationships. Deferred tax at 27% has been provided on the value of intangible assets (note 19). Acquisition costs of £14,000 were incurred and have been charged to profit or loss.

Post acquisition results

| | Datacare £'000 | Formsafe £'000 |
|---|---|---|
| Revenue | 561 | 56 |
| Profit before tax since acquisition included in the Consolidated Statement of Comprehensive Income | 204 | 22 |

If the acquisitions had been completed on the first day of the financial year, Group revenues would have been £29.5 million and Group profit before tax would have been £0.8 million.

## 11 INTANGIBLE ASSETS

| | Goodwill £'000 | Customer relationships £'000 | Trade names £'000 | Applications software and IT £'000 | Total £'000 |
|---|---|---|---|---|---|
| Cost | | | | | |
| 1 January 2009 | 19,960 | 8,506 | 264 | 639 | 29,369 |
| Additions | – | – | – | 679 | 679 |
| Disposals | – | – | – | (83) | (83) |
| Transferred to assets held for resale | 5,232 | 118 | 958 | – | 6,308 |
| 31 December 2009 | 25,192 | 8,624 | 1,222 | 1,235 | 36,273 |
| Cost | | | | | |
| 1 January 2010 | 25,192 | 8,624 | 1,222 | 1,235 | 36,273 |
| Additions | 551 | 1,058 | 65 | 189 | 1,863 |
| Acquired with subsidiary | – | – | – | 138 | 138 |
| 31 December 2010 | 25,743 | 9,682 | 1,287 | 1,562 | 38,274 |
| Accumulated amortisation and impairment | | | | | |
| 1 January 2009 | 3,675 | 3,409 | – | 439 | 7,523 |
| Impairment | 5,000 | – | – | – | 5,000 |
| Charge for the year | – | 175 | – | 145 | 320 |
| Disposals | – | – | – | (63) | (63) |
| Transfers to assets held for resale | 4,842 | 14 | – | – | 4,856 |
| 31 December 2009 | 13,517 | 3,598 | – | 521 | 17,636 |
| Accumulated amortisation and impairment | | | | | |
| 1 January 2010 | 13,517 | 3,598 | – | 521 | 17,636 |
| Impairment | – | 382 | – | – | 382 |
| Charge for the year | – | 193 | 7 | 217 | 417 |
| Acquired with subsidiary | – | – | – | 63 | 63 |
| 31 December 2010 | 13,517 | 4,173 | 7 | 801 | 18,498 |
| Carrying amount | | | | | |
| 31 December 2010 | 12,226 | 5,509 | 1,280 | 761 | 19,776 |
| 31 December 2009 | 11,675 | 5,026 | 1,222 | 714 | 18,637 |
| 1 January 2009 | 16,285 | 5,097 | 264 | 200 | 21,846 |

Customer relationships include assets which are considered to have an indefinite life due to the business having a strong relationship and low attrition rates with its customer groups. The carrying amount of these assets is £2,865,000 (2009: £2,865,000). The remaining relationships have an average life of 6–11.5 years. Trade names include assets considered to have an indefinite life due to the history of trading and the Group being a market leader in the services provided. The carrying amount of these assets is £1,280,000 (2009: £1,222,000).

## 11 INTANGIBLE ASSETS (continued)

The changes to goodwill during the year were as follows:

| | £'000 |
|---|---|
| Cost | |
| 1 January 2010 | 25,192 |
| Acquired – Datacare Business Systems Limited | 183 |
| Acquired – Formsafe Limited | 368 |
| 31 December 2010 | 25,743 |
| Accumulated impairment | |
| 1 January and 31 December 2010 | 13,517 |
| Carrying amount at 31 December 2010 | 12,226 |
| Carrying amount at 31 December 2009 | 11,675 |

Annual test for impairment

During the year, the Group assessed the recoverable amount of goodwill and other intangibles on the Document Handling business and Peter Cox Limited. As a result of the review of the DCS business, the carrying amount of goodwill and other intangibles was assessed at 31 December 2010 and an impairment of £0.4 million was made to the value of the customer relationships to reflect the decline in sales to key customers (2009: £5.0 million – goodwill) in respect of this business. The review of the Peter Cox business did not result in an impairment based on the assumptions made which the directors believe are applicable at 31 December 2010. Management have considered the impact of a 5% reduction in forecasted revenues in DCS and are satisfied that this would not result in a further impairment of goodwill.

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

Emergency Repair – Peter Cox

Document Handling – Document Control Services (DCS), Restore SE, Restore SW, Datacare and Formsafe.

The carrying amount of goodwill and indefinite life intangible assets was allocated to the following cash-generating units:

| | Goodwill | | Indefinite life intangibles | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | £'000 | £'000 | £'000 | £'000 |
| Emergency Repair: | | | | |
| Peter Cox | 390 | 390 | 958 | 958 |
| Document Handling: | | | | |
| Document Control Services | 595 | 595 | 264 | 264 |
| Restore SE | 7,576 | 7,576 | – | – |
| Restore SW | 3,114 | 3,114 | 2,865 | 2,865 |
| Datacare | 183 | – | – | – |
| Formsafe | 368 | – | – | – |
| | 12,226 | 11,675 | 4,087 | 4,087 |

## 11 INTANGIBLE ASSETS (continued)

Goodwill and other indefinite life intangible assets

The recoverable amount of each cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors for year one to year three. Terminal cash flows are based on year three projections and 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. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. A discount rate of 8.5% per annum (2009: 8.5% per annum) has been applied.

## 12 PROPERTY, PLANT AND EQUIPMENT

| | Freehold and long leasehold land & buildings £'000 | Leasehold improve-ments £'000 | Racking plant & machinery £'000 | Office equipment fixtures & fittings £'000 | Motor vehicles £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| 1 January 2009 | 8,441 | 136 | 2,759 | 778 | 57 | 12,171 |
| Additions | 587 | 8 | 279 | 161 | 263 | 1,298 |
| Disposals | – | – | (52) | (361) | (3) | (416) |
| Transferred to assets classified as held for sale | – | 70 | 129 | 244 | – | 443 |
| Other | 272 | 225 | 1,279 | 488 | 216 | 2,480 |
| 31 December 2009 | 9,300 | 439 | 4,394 | 1,310 | 533 | 15,976 |
| At 1 January 2010 | 9,300 | 439 | 4,394 | 1,310 | 533 | 15,976 |
| Additions | 549 | 24 | 238 | 137 | 27 | 975 |
| Disposals | – | – | – | (8) | (80) | (88) |
| Acquisitions | – | – | 33 | 1,062 | 96 | 1,191 |
| Reclassification | – | – | (113) | – | 113 | – |
| 31 December 2010 | 9,849 | 463 | 4,552 | 2,501 | 689 | 18,054 |
| Accumulated Depreciation | | | | | | |
| 1 January 2009 | 106 | 46 | 704 | 398 | 53 | 1,307 |
| Charged in the year | 70 | 19 | 328 | 134 | 73 | 624 |
| Disposals | – | – | (15) | (126) | (3) | (144) |
| Transferred to assets classified as held for sale | – | – | 33 | 168 | – | 201 |
| Other | 325 | 129 | 1,450 | 506 | 70 | 2,480 |
| 31 December 2009 | 501 | 194 | 2,500 | 1,080 | 193 | 4,468 |
| At 1 January 2010 | 501 | 194 | 2,500 | 1,080 | 193 | 4,468 |
| Charged in the year | 83 | 21 | 283 | 146 | 86 | 619 |
| Disposals | – | – | – | (8) | (76) | (84) |
| Acquisitions | – | – | 30 | 646 | 70 | 746 |
| Reclassification | – | – | (113) | – | 113 | – |
| 31 December 2010 | 584 | 215 | 2,700 | 1,864 | 386 | 5,749 |
| Net book value | | | | | | |
| 31 December 2010 | 9,265 | 248 | 1,852 | 637 | 303 | 12,305 |
| 31 December 2009 | 8,799 | 245 | 1,894 | 230 | 340 | 11,508 |
| 1 January 2009 | 8,335 | 90 | 2,055 | 380 | 4 | 10,864 |

Capital expenditure contracted for but not provided in the financial statements is shown in note 29.

## 13 INVENTORIES

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Finished goods and goods for resale | 120 | 117 |

## 14 FINANCIAL ASSETS

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Trade receivables | 5,666 | 5,459 |
| Less: provision for impairment of trade receivables | (112) | (258) |
| Trade receivables – net | 5,554 | 5,201 |
| Other receivables | 220 | 46 |
| Prepayments and accrued income | 1,827 | 1,858 |
| | 7,601 | 7,105 |

The average credit period on sales of services is 75 days (2009: 74 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 from the sale of goods, determined by reference to past payment history and the current financial status of the customers.

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Movement in the allowance for impairment | | |
| Balance at beginning of the year | 258 | 534 |
| Transferred from assets held for sale | – | 58 |
| Decrease in amount recognised in profit or loss | (146) | (334) |
| Balance at end of year | 112 | 258 |

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.

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Cash and cash equivalents | | |
| Cash at bank and in hand | 2,568 | 4,599 |

## 15 TRADE AND OTHER PAYABLES

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Trade payables | 1,804 | 2,110 |
| Other taxation and social security | 1,236 | 1,494 |
| Other payables | 775 | 917 |
| Accruals and deferred income | 2,082 | 1,996 |
| | 5,897 | 6,517 |

Other payables include the fair value of the interest rate collar of £90,000 (2009: £75,000), see note 17.

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 57 days (2009: 41 days). The Directors consider the carrying value of trade payables approximates to their fair value.

## 16 LOANS AND OVERDRAFTS

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Current | | |
| Bank loans and overdrafts due within one year | | |
| Overdrafts on demand | 1,119 | 191 |
| Bank loans – secured | 9,509 | 10,000 |
| | 10,628 | 10,191 |
| Non-current | | |
| Bank loans – secured | 2,000 | 6,000 |
| Loan from ultimate parent | 2,326 | 10,000 |
| Deferred financing costs | (13) | (20) |
| | 4,313 | 15,980 |

The bank debt is due to Lloyds TSB bank plc and is secured by a fixed and floating charge over the assets of the Group. Interest was charged at 4.0% over London Inter Bank Offered Rate (LIBOR) to 14 August 2010, 3.5% to 1 November 2010 and 3.25% to 31 December 2010 (2009: 3.35% to 9 June 2009, 4.35% to 30 June 2009, 5% to 28 July 2009 and 4% to 31 December 2009). An analysis of borrowings is given in note 17.

The subordinated loan from ultimate parent attracts interest at 10% which is compounded annually. See note 31 Related Party Transactions for further details.

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Analysis of net debt | | |
| Cash at bank and in hand | 2,568 | 4,599 |
| Bank loans and overdrafts due within one year | (10,628) | (10,191) |
| Bank loans due after one year | (2,000) | (6,000) |
| Loan from ultimate parent | (2,326) | (10,000) |
| Deferred financing costs | 13 | 20 |
| | (12,373) | (21,572) |

## 17 FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash, bank and parent company loans 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.

As at 31 December 2010 trade receivables of £259,000 (2009: £129,000) 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:

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| 60-90 days | 117 | 4 |
| Greater than 90 days | 142 | 125 |

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 flows are produced on a regular basis to minimise liquidity risks.

Currency and interest rate risk profile of financial liabilities

All bank borrowings are subject to floating interest rates, at LIBOR plus a margin of 4.0% to 12 August 2010, 3.5% to 1 November 2010 and 3.25% to 31 December 2010. The interest rate risk profile of the Group's bank borrowings for the year was:

| | Total £'000 | Floating rate financial liabilities £'000 | Subject to interest rate collar £'000 | Weighted average interest rates % |
|---|---|---|---|---|
| Currency | | | | |
| Sterling at 31 December 2010 | 14,941 | 8,741 | 6,200 | 4.5% |
| Sterling at 31 December 2009 | 26,171 | 19,171 | 7,000 | 4.5% |

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

| | 2010 | 2009 |
|---|---|---|
| 6 months or less | 14,941 | 26,171 |

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

All financial assets are short term receivables and cash in hand. The cash in hand earns interest based on the variable bank base rate and is held with Lloyds TSB Bank plc.

## 17 FINANCIAL INSTRUMENTS (continued)

Maturity of financial liabilities

The maturity profile of the carrying amount of the Group's financial liabilities, other than short term trade payables and accruals during the year was as follows:

| | Bank debt £'000 | Other financial liabilities £'000 | 2010 Total £'000 | Bank debt £'000 | Other financial liabilities £'000 | 2009 Total £'000 |
|---|---|---|---|---|---|---|
| Within one year, or on demand | 10,628 | 373 | 11,001 | 10,191 | 389 | 10,580 |
| Between one and two years | 2,000 | 2,326 | 4,326 | 4,000 | – | 4,000 |
| Between two and five years | – | – | – | 2,000 | 10,000 | 12,000 |
| | 12,628 | 2,699 | 15,327 | 16,191 | 10,389 | 26,580 |

Borrowing facilities

The Group has a term facility of £6 million and a revolving credit facility (RCF) of £6 million. The facilities expire on 30 July 2012. In addition to these facilities the Group has an uncommitted overdraft facility of £1.5 million (2009: £0.6 million) of which £1.1 million (2009: £0.2 million) was utilised at 31 December 2010. In addition to these bank facilities our principal shareholder has made available to the company a loan facility of £2.3 million (2009: £10 million) which expires on 1 August 2012.

All of the Group's borrowings are in Sterling.

Fair values of financial assets and financial liabilities

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

Interest rate management

The Group holds an interest rate collar. The Group exchanges the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the issued variable rate debt held. The fair value of the interest rate collar at the year end is as follows:

| | Average contracted fixed interest rate | | Notional principal amount | | Fair value | |
|---|---|---|---|---|---|---|
| | 2010 % | 2009 % | 2010 £'000 | 2009 £'000 | 2010 £'000 | 2009 £'000 |
| 1 to 2 years | 2–4 | – | 6,200 | – | (90) | – |
| 2 to 5 years | – | 2–4 | – | 7,000 | – | (75) |

The interest rate collar settles on a quarterly basis. The interest rate cap is for £6.2 million amortising on a straight line basis to £3.8 million on 30 July 2012. The floor rate is 2% and the cap rate 4% and expires on 30 July 2012. As the hedge was not designated as effective on inception the movement in fair value has been taken to profit or loss.

The valuation of derivatives is within level 2 of the fair value hierarchy as the significant inputs to the valuation are observable.

## 18 PROVISIONS

| | Onerous lease provision £'000 | Remedial provision £'000 | Total £'000 |
|---|---|---|---|
| 1 January 2010 | 1,300 | 567 | 1,867 |
| Charge/(credit) to profit or loss for the year | 337 | (13) | 324 |
| Used during the year | (582) | – | (582) |
| 31 December 2010 | 1,055 | 554 | 1,609 |

The onerous leases provision relates to future payments on onerous leases as required in the lease agreements. £314k of costs are expected to be incurred within one year and the balance over the next 6 years.

The remedial provision relates to 25 year guarantees that Peter Cox has issued to its customers in respect of damp proofing work. The amount of the provision has been calculated on the level of customer claims made on a historic basis.

Provisions are analysed as follows:

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Current | 314 | 313 |
| Non-current | 1,295 | 1,554 |
| Total | 1,609 | 1,867 |

## 19 DEFERRED TAX

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Summary of balances: | | |
| Deferred tax liabilities | (3,544) | (3,750) |
| Deferred tax asset | 528 | 343 |
| Net position at 31 December | (3,016) | (3,407) |

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

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| 1 January | (3,407) | (3,317) |
| Credit/(charge) to profit or loss for the year – continuing | 694 | (153) |
| Acquisitions | (303) | – |
| Transferred from assets held for sale | – | 63 |
| 31 December | (3,016) | (3,407) |

## 19 DEFERRED TAX (continued)

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 £'000 | On intangible assets £'000 | Properties £'000 | Total £'000 |
|---|---|---|---|---|
| 1 January 2009 | (362) | (1,562) | (1,414) | (3,338) |
| Charge to income for the year | (110) | – | – | (110) |
| Transferred from assets held for sale | – | (302) | – | (302) |
| 31 December 2009 | (472) | (1,864) | (1,414) | (3,750) |
| Charge to income for the year | 125 | 334 | 50 | 509 |
| Acquisitions | – | (303) | – | (303) |
| 31 December 2010 | (347) | (1,833) | (1,364) | (3,544) |

Deferred tax assets

| | Depreciation in excess of capital allowances £'000 | Temporary differences £'000 | Total £'000 |
|---|---|---|---|
| 1 January 2009 | – | 21 | 21 |
| Charge to income for the year – continuing | (31) | (12) | (43) |
| Transferred from assets held for sale | 336 | 29 | 365 |
| 31 December 2009 | 305 | 38 | 343 |
| Credit/(charge) to income for the year | 216 | (31) | 185 |
| 31 December 2010 | 521 | 7 | 528 |

Unprovided deferred tax assets, which have not been recognised due to uncertainty over recoverability are £1,371,000 (2009: £858,000) and relate to brought forward tax losses.

## 20 CALLED UP SHARE CAPITAL

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Authorised: | | |
| 199,000,000 ordinary shares of 5p each | 9,950 | 9,950 |
| 50,000,000 deferred shares of 0.1p each | 50 | 50 |
| | 10,000 | 10,000 |
| Allotted, issued and fully paid: | | |
| 46,043,372 (2009: 9,325,423) ordinary shares of 5p each | 2,302 | 466 |
| 50,000,000 (2009: 50,000,000) deferred shares of 0.1p each | 50 | 50 |
| | 2,352 | 516 |

## 20 CALLED UP SHARE CAPITAL (continued)

The issued ordinary share capital is as follows:

| Date | Number of ordinary shares | Issue price |
|---|---|---|
| 1 January 2009 (post share consolidation) and 1 January 2010 | 9,325,423 | |
| 16 April 2010 – conversion of Geraldton subordinated debt | 21,333,334 | 37.5p |
| 8 November 2010 – equity raised from shareholders | 15,384,615 | 26.0p |
| Total shares issued in 2010 | 36,717,949 | |
| 31 December 2010 | 46,043,372 | |

On 19 July 2010, the Company undertook a share consolidation where 50 existing ordinary shares of 0.1p each were exchanged for 1 new ordinary share of 5p each.

## 21 SHARE PREMIUM ACCOUNT

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| 1 January | 42,396 | 42,396 |
| Premium on shares issued during the year | 10,164 | – |
| Share issue costs | (226) | – |
| 31 December | 52,334 | 42,396 |

## 22 SHARE BASED PAYMENTS RESERVE

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| 1 January | 210 | 2,069 |
| Charge/(credit) for the year | 53 | (1,166) |
| Transfer in respect of lapsed options | – | (693) |
| 31 December | 263 | 210 |

## 23 RETAINED DEFICIT

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| 1 January | (39,118) | (29,780) |
| Profit/(loss) for the year | 844 | (10,031) |
| Transfer in relation to lapsed options | – | 693 |
| 31 December | (38,274) | (39,118) |

## 24 CASH INFLOW FROM OPERATIONS

| | Year ended 31 December 2010 £'000 | Year ended 31 December 2009 £'000 |
|---|---|---|
| Continuing operations | | |
| Profit/(loss) for the year | 956 | (7,626) |
| Depreciation of property, plant and equipment | 619 | 590 |
| Amortisation of intangible assets | 417 | 257 |
| Impairment of intangible assets | 382 | 5,000 |
| Net finance costs | 1,058 | 3,959 |
| Income tax credit | (257) | (164) |
| Share based payments charge/(credit) | 53 | (1,147) |
| Exceptional items | 333 | 1,084 |
| Profit on disposal of property, plant and equipment | – | 1 |
| Movements in working capital | | |
| (Increase)/decrease in inventories | (3) | 83 |
| Decrease in trade and other receivables | 221 | 3,909 |
| (Decrease)/increase in trade and other payables | (1,947) | 1,149 |
| CASH GENERATED FROM CONTINUING OPERATIONS | 1,832 | 7,095 |
| Discontinued operations | | |
| Loss for the year | (112) | (2,405) |
| Depreciation of property, plant and equipment | – | 34 |
| Amortisation of intangible assets | – | 63 |
| Finance costs | 96 | 192 |
| Income tax credit | (76) | – |
| Share based payments credit | – | (19) |
| Exceptional items | – | 463 |
| Movement in working capital | | |
| Decrease in inventories | – | 12 |
| Decrease/(increase) in trade and other receivables | 404 | (1,771) |
| (Decrease)/increase in trade and other payables | (552) | 1,491 |
| CASH USED IN DISCONTINUED OPERATIONS | (240) | (1,940) |
| NET CASH GENERATED FROM OPERATIONS | 1,592 | 5,155 |

## 25 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 income of £164,000 (2009: £210,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the plan.

## 26 SHARE BASED PAYMENTS

Share option scheme

The Restore share option scheme was introduced in May 2005. Under the scheme the Remuneration Committee can grant options over shares in the Company to directors and employees of the Group. Options are granted at a fixed price equal to the market price of the shares under option at the date of grant. The contractual life of the option is 10 years. Awards under the scheme are generally reserved for employees at senior management level and above. On 16 April 2010 the Company made a grant of options to senior management and directors, on which there are no performance conditions and which are exercisable within 2 – 10 years. Prior to this the Company has made five grants. These share options will, subject to the performance targets being met, vest in three tranches on the date of the announcement of the final results for the Group for each of the three years ending after the Date of Grant. The full vesting of each tranche of the share options granted will be subject to the Group achieving annually a performance target of a growth of adjusted earnings per share (EPS) of 10% or more over the adjusted EPS for the previous year. In the event that the adjusted EPS growth in each year is less than 10%, then the proportion of options that will vest shall be reduced as follows:

| Growth in adjusted EPS in previous financial year | Percentage of ordinary shares in annual tranche which vest |
|---|---|
| No less than 6% but less than 7% | 20% |
| No less than 7% but less than 8% | 40% |
| No less than 8% but less than 9% | 60% |
| No less than 9% but less than 10% | 80% |

Any shortfall in the percentage of ordinary shares under option vesting (up to a maximum shortfall of 40%) will vest in the following year if the performance test is exceeded by an equivalent amount in that year. Exercise of an option is subject to continued employment.

Options were valued using a stochastic model. The fair value per option granted during 2010 and the assumptions used in the calculation are as follows:

| Grant date | 16 April 2010 |
|---|---|
| Share price at grant date | 41.0p |
| Exercise price | 32.5p |
| Number of employees | 7 |
| Share options granted | 3,360,000 |
| Vesting period (years) | 2 |
| Expected volatility | 30% |
| Option life (years) | 10 |
| Expected life (years) | 6 |
| Risk free rate | 5.6% |
| Expected dividends expressed as a dividend yield | 0% |
| Fair value per option | 5.0p |

The total fair value of options issued in the year was £168,000 (2009: £nil). The volatility is measured by calculating the standard deviation of the natural logarithm of share price movements.

## 26 SHARE BASED PAYMENTS (continued)

A reconciliation of option movements over the year to 31 December 2010 is:

Share option scheme

| | Number | 2010 Weighted average exercise price | Number | 2009 Weighted average exercise price |
|---|---|---|---|---|
| Outstanding at 1 January | 82,859 | 829p | 354,059 | 730p |
| Granted | 3,360,000 | 33p | – | – |
| Forfeited | (11,797) | 802p | (271,200) | 692p |
| Outstanding at 31 December | 3,431,062 | 834p | 82,859 | 829p |
| Exercisable at 31 December | 27,019 | 39p | 33,064 | 732p |

The options outstanding at 31 December 2010 had an exercise price of between 33p and 934p and a weighted average remaining contractual life of 5.4 years.

Long Term Incentive Plan

The Restore Long Term Incentive Plan ("LTIP") was introduced in May 2005. Awards under the LTIP comprise options to acquire ordinary shares at nominal value which will be subject to performance targets. A participant granted an option under the LTIP will be required to make a payment of 0.1p per ordinary share on exercise of the option. Awards are first exercisable three, four and five years after issue, subject to attainment of performance targets. The company has made four awards to date.

The performance test to be applied to all awards made to the Directors comprises two components. The ordinary shares under the awards will vest in three equal tranches subject to satisfaction of either of two tests each year in respect of each tranche, the first test being of growth in adjusted earnings per share ("EPS") and the second of total shareholder return ("TSR").

The first test is that the average annual compounded growth in the Group's adjusted EPS exceeds the performance target percentage established at inception for the three periods each beginning 1 January and ending on 31 December three years, four years and five years later respectively. The second performance test is based on the Company's TSR (that is share price growth plus reinvested dividends) measured over the specified periods commencing on issue date as shown in the table below:

| Years following award | TSR |
|---|---|
| 3 | 70% |
| 4 | 85% |
| 5 | 100% |

In the event that neither of the relevant performance targets is met in relation to each tranche of the LTIP award, that tranche of the award shall lapse. Exercise of an option is subject to continued employment. Options were valued using a stochastic model.

## 26 SHARE BASED PAYMENTS (continued)

A reconciliation of option movements over the year to 31 December 2010 are:

| | 2010 Number | 2010 Weighted average exercise price | 2009 Number | 2009 Weighted average exercise price |
|---|---|---|---|---|
| Outstanding at 1 January | 1,800 | 5p | 877,800 | 5p |
| Lapsed | – | 5p | (876,000) | 5p |
| Outstanding at 31 December | 1,800 | 5p | 1,800 | 5p |
| Exercisable at 31 December | – | – | – | – |

The Remuneration Committee has taken the view that on the basis of the Group's financial performance in 2010, the EPS compound growth targets under the LTIP are unlikely to be met and the IFRS 2 share based payments charge has been adjusted to reflect this, resulting in a credit to profit or loss of £9,448 (2009: credit £1,166,000).

## 27 DIRECTORS AND EMPLOYEES

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Staff costs during the year were as follows: | | |
| Wages and salaries | 10,518 | 12,103 |
| Social security costs | 1,069 | 1,097 |
| Pension costs | 164 | 210 |
| Share based payments charge/(credit) | 53 | (1,147) |
| | 11,804 | 11,943 |

| | Number | Number |
|---|---|---|
| The average monthly number of employees during the year was: | | |
| Directors | 3 | 4 |
| Administration | 156 | 170 |
| Operatives | 288 | 260 |
| | 447 | 434 |

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| The total amounts for directors' remuneration and other benefits was as follows: | | |
| Emoluments for directors' services | 405 | 612 |
| Compensation for loss of office | – | 431 |
| Pension costs for directors | – | 103 |
| Total directors' emoluments | 405 | 1,146 |

## 27 DIRECTORS AND EMPLOYEES (continued)

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Directors' remuneration shown above included the following amounts in respect of the highest paid director | | |
| Salary | 320 | 362 |
| Benefits | 2 | 3 |
| Pension | – | 23 |
| | 322 | 388 |

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Key management compensation | | |
| Short-term employment benefits | 1,139 | 1,440 |
| Post employment benefits | 27 | 94 |
| Other benefits | 41 | 36 |
| Share based payments | 53 | 62 |
| | 1,260 | 1,632 |

The key management of the Group are management attending board meetings within each division. Of the £1,147,000 share based payments credit (note 26) in 2009, £1,192,000 can be allocated in the table above.

## 28 LEASING COMMITMENTS

The Group leases various premises 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.

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| The future aggregate minimum lease payments under non-cancellable operating leases are as follows: | | |
| Within one year | 2,104 | 2,207 |
| Within two to five years | 5,637 | 7,544 |
| Over five years | 4,784 | 5,517 |
| | 2,525 | 15,268 |

## 29 CAPITAL COMMITMENTS

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Capital expenditure | | |
| Contracted for but not provided in the financial statements | – | 1 |

## 30 CONTINGENT LIABILITIES

The Company has entered into a bank cross guarantee with its subsidiaries. The guarantee amounts to £10,860,000 at 31 December 2010 (2009: £11,625,000). The assets of the Company and its subsidiaries are pledged as security for the bank borrowings, by way of a fixed and floating charge.

## 31 RELATED PARTY TRANSACTIONS AND CONTROLLING PARTY

The remuneration of key management personnel and details of the Directors' emoluments are shown in note 27.

The Directors consider Geraldton Services Inc to be the parent and controlling party. Geraldton Services Inc is incorporated in the British Virgin Islands. On 16 April 2010, £8 million of the loan facility of £10 million provided by Geraldton in 2009 was converted into equity. Interest is charged at 10% and compounded on an annual basis.

## 32 DISCONTINUED OPERATIONS

The results for the year attributable to discontinued operations were as follows:

| | Year ended 31 December 2010 £'000 | Year ended 31 December 2009 £'000 |
|---|---|---|
| Revenue | – | 15,644 |
| Operating loss | (92) | (2,194) |
| Loss before tax for the year | (188) | (1,942) |
| Taxation | 76 | – |
| Loss on disposal of division | – | (463) |
| | (112) | (2,405) |

The insurance-related operations of Ansa Building Services Limited (ABS) were terminated on 31 December 2009. In 2009, ABS and the disposed Emergency Repair division were shown as discontinued operations. The loss before tax of £188,000 related to the run-off of the ABS operation.

# Restore plc

## COMPANY BALANCE SHEET

At December 2010 Company registered number: 05169780

| | Note | 2009<br>£'000 | 2008<br>£'000 |
|---|---|---|---|
| FIXED ASSETS | | | |
| Tangible fixed assets | 33 | 5 | 4 |
| Investments | 34 | 30,024 | 27,781 |
| | | 30,029 | 27,785 |
| CURRENT ASSETS | | | |
| Debtors | 35 | 2,479 | 2,962 |
| Cash at bank | | 2 | 2,648 |
| | | 2,481 | 5,610 |
| CREDITORS: Amounts falling due within one year | 36 | (14,339) | (13,049) |
| NET CURRENT LIABILITIES | | (11,858) | (7,439) |
| CREDITORS: Amounts falling due after more than one year | 37 | (4,313) | (15,980) |
| PROVISION FOR LIABILITIES | 39 | (741) | (987) |
| NET ASSETS | | 13,117 | 3,379 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 40 | 2,352 | 516 |
| Share premium account | 41 | 52,334 | 42,396 |
| Share based payments reserve | 42 | 263 | 210 |
| Profit and loss account | 43 | (41,832) | (39,743) |
| EQUITY SHAREHOLDERS' FUNDS | 44 | 13,117 | 3,379 |

These financial statements were approved by the board of directors and authorised for issue on 6 April 2011 and were signed on its behalf by:

Sir William Wells
Chairman

Charles Skinner
Chief Executive

These Financial Statements for the Company have been prepared under the historical cost convention subject to the revaluation of certain financial instruments and in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom (UK GAAP). The Directors consider that the accounting policies set out below are suitable, are supported by reasonable judgements and estimates and have been consistently applied except where stated below. The going concern basis has been applied in these accounts on the basis that funds will be made available from other group companies. A summary of the more important accounting policies is set out below.

## GOING CONCERN

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

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 result for the financial year of the Company is disclosed in note 43 to these Financial Statements.

## DIVIDEND INCOME

In the Company's financial statements, dividends received and receivable are recognised when the right to receive payment is established.

## INVESTMENTS

The Company's investment in shares in Group companies are stated at cost less provision for impairment.

## TANGIBLE FIXED ASSETS

The costs of tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal life used for this purpose is three years.

## DEFERRED TAXATION

Deferred taxation is recognised in respect of timing differences which have originated but not reversed at the balance sheet date based on tax rates enacted or substantively enacted. Deferred tax assets are recognised when their recovery is assessed as more likely than not. Deferred tax assets and liabilities are not discounted.

## BORROWINGS

All borrowings are initially stated at the fair value of the consideration received after deduction of issue costs. Issue costs together with other finance costs are charged to the profit and loss account over the period of the term of the borrowings at a constant rate, or more quickly if appropriate. Accrued finance charges are added to and issue costs are deducted from the carrying value of those borrowings.

## FINANCIAL INSTRUMENTS

The Company has periodically used derivative instruments to manage its interest rate exposure. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. The resulting gain or loss is recognised in profit or loss.

## SHARE BASED PAYMENTS

The fair value of providing share based payments granted to employees is charged over the vesting period of the related share options or share allocations. The charge is based on the fair value of the options and shares allocated determined using a stochastic pricing model, which is appropriate given the vesting and other conditions attached to the options. The value of the charge is adjusted at each balance sheet date to reflect expected and actual levels of vesting.

## PROVISIONS

Provisions are recognised when the Company 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.

## 33 TANGIBLE FIXED ASSETS

| | Office equipment fixtures & fittings £'000 |
|---|---|
| Cost | |
| 1 January 2010 | 9 |
| Additions | 4 |
| 31 December 2010 | 13 |
| Accumulated depreciation | |
| 1 January 2010 | 5 |
| Charged in the year | 3 |
| 31 December 2010 | 8 |
| Net book value | |
| 31 December 2010 | 5 |
| 31 December 2009 | 4 |

## 34 INVESTMENTS

| | Shares in subsidiary undertakings £'000 |
|---|---|
| 1 January 2010 | 53,116 |
| Additions | |
| Datacare Business Systems Limited (note 10) | 1,176 |
| Formsafe Limited (note 10) | 1,014 |
| Capital contribution – subsidiary share based payments | 53 |
| 31 December 2010 | 55,359 |
| Impairment | |
| 1 January and 31 December 2010 | 25,335 |
| Net book value | |
| 31 December 2010 | 30,024 |
| 31 December 2009 | 27,781 |

## 34 INVESTMENTS (continued)

At 31 December 2010 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 Handling division | | | | |
| * Restore Group Holdings Limited | Ordinary | 100% | England and Wales | Document storage and records management |
| * Restore Wansdyke Limited | Ordinary | 100% | England and Wales | Document storage and records management |
| * Datacare Business Systems Limited | Ordinary | 100% | England and Wales | Document storage and records management |
| * Formsafe Limited | Ordinary | 100% | England and Wales | Document storage and records management |
| Document Control Services Limited | Ordinary | 100% | England and Wales | Provision of value added scanning |
| * Stapledon Holdings Limited | Ordinary | 100% | England and Wales | Holding company |
| * Wansdyke Security Limited | Ordinary | 100% | England and Wales | Document storage and records management |
| Wansdyke 1 Limited | Ordinary | 100% | England and Wales | Dormant |
| Wansdyke 2 Limited | Ordinary | 100% | England and Wales | Dormant |
| Emergency Repair division | | | | |
| * Ansa Building Services Limited | Ordinary | 100% | England and Wales | Dormant |
| * Peter Cox Limited | Ordinary | 100% | England and Wales | Provision of damp course, water damage and timber damage treatment services |

* = Held directly

## 35 DEBTORS

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Due within one year: | | |
| Amounts due from Group undertakings | 2,394 | 1,135 |
| Other debtors | 59 | 55 |
| Prepayments and accrued income | 26 | 26 |
| | 2,479 | 1,216 |
| Due after more than one year: | | |
| Amounts due from Group undertakings | – | 1,746 |
| | – | 1,746 |
| Total | 2,479 | 2,962 |

## 36 CREDITORS: Amounts falling due within one year

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Bank overdraft | 626 | – |
| Bank loans | 9,500 | 10,000 |
| Trade creditors | 130 | 165 |
| Amounts due to Group undertakings | 3,104 | 1,031 |
| Other taxation and social security | – | 33 |
| Other creditors | 246 | 327 |
| Accruals and deferred income | 419 | 1,180 |
| Provisions (note 18) | 314 | 313 |
| | 14,339 | 13,049 |

Bank overdrafts and loans are classified as follows:

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Current | | |
| Bank loans and overdrafts due within one year | | |
| Overdrafts on demand | 626 | – |
| Bank loans – secured | 9,500 | 10,000 |
| | 10,126 | 10,000 |
| Non-current (note 37) | | |
| Bank loans – secured | 2,000 | 6,000 |
| Deferred financing costs | (13) | (20) |
| | 1,987 | 5,980 |

## 37 CREDITORS: Amounts falling due after more than one year

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Bank loans | 2,000 | 6,000 |
| Deferred financing costs | (13) | (20) |
| Loan from ultimate parent | 2,326 | 10,000 |
| | 4,313 | 15,980 |
| Amounts falling due: | | |
| After one and within two years | 2,000 | 4,000 |
| Between two years and five years | 2,313 | 11,980 |
| | 4,313 | 15,980 |

The bank debt is due to Lloyds TSB Bank plc and is secured by a fixed and floating charge over the assets of the Group. Interest was charged at 4.0% over London Inter Bank Offered Rate (LIBOR) to 14 August 2010, 3.5% to 1 November 2010 and 3.25% to 31 December 2010. An analysis of borrowings is given in note 17.

The loan from Geraldton attracts interest at 10% which is compounded annually.

The Company holds an interest rate collar (note 17).

## 38 DEBT: Analysis of net debt

| | At January 2010 £'000 | Cash flow £'000 | Non-cash Movement £'000 | At 31 December 2010 £'000 |
|---|---|---|---|---|
| Cash at bank and in hand | 2,648 | (2,646) | – | 2 |
| Bank loans and overdrafts due within one year | (10,000) | (126) | – | (10,126) |
| Bank loans due after one year | (6,000) | 4,000 | – | (2,000) |
| Loan from ultimate parent | (10,000) | – | 7,674 | (2,326) |
| Deferred financing costs | 20 | – | (9) | 13 |
| | 23,332 | 1,228 | 7,665 | (14,437) |

The non-cash movement relates to conversion of the Geraldton subordinated debt and the amortisation of the deferred financing costs.

## 39 PROVISION FOR LIABILITIES AND CHARGES

| | £'000 |
|---|---|
| 1 January 2010 | 987 |
| Property provision | 68 |
| Provision due in less than one year | (314) |
| 31 December 2010 (note 18) | 741 |

## 40 SHARE CAPITAL

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Authorised: | | |
| 199,000,000 ordinary shares of 5p each | 9,950 | 9,950 |
| 50,000,000 deferred shares of 0.1p each | 50 | 50 |
| | 10,000 | 10,000 |
| Allotted, issued and fully paid: | | |
| 46,043,372 (2009: 9,325,423) ordinary shares of 5p each | 2,302 | 466 |
| 50,000,000 (2009: 50,000,000) deferred shares of 0.1p each | 50 | 50 |
| | 2,352 | 516 |

The issued ordinary share capital is as follows:

| | Number of ordinary shares | Issue price |
|---|---|---|
| 1 January 2010 | 9,325,423 | |
| 16 April 2010 – conversion of Geraldton subordinated debt | 21,333,334 | 37.5p |
| 8 November 2010 – equity raised from shareholders | 15,384,615 | 26.0p |
| Total shares issued in 2010 | 36,717,949 | |
| 31 December 2010 | 46,043,372 | |

On 19 July 2010, the Company undertook a share consolidation where 50 existing ordinary shares of 0.1p each were exchanged for 1 new ordinary share of 5p each.

## 41 SHARE PREMIUM ACCOUNT

| | 2010<br>£'000 | 2009<br>£'000 |
|---|---|---|
| 1 January | 42,396 | 42,396 |
| Premium on shares issued during the year | 10,164 | – |
| Share issue costs | (226) | – |
| 31 December | 52,334 | 42,396 |

## 42 SHARE BASED PAYMENTS RESERVE

| | 2010<br>£'000 | 2009<br>£'000 |
|---|---|---|
| 1 January | 210 | 2,069 |
| Charge/(credit) for the year | 53 | (1,166) |
| Transfer in respect of lapsed options | – | (693) |
| 31 December | 263 | 210 |

Details of the share options issued are shown in note 26.

## 43 PROFIT AND LOSS ACCOUNT

| | 2010<br>£'000 | 2009<br>£'000 |
|---|---|---|
| 1 January | (39,743) | (21,178) |
| Loss for the year | (2,089) | (19,258) |
| Transfer in respect of lapsed options | – | 693 |
| 31 December | (41,832) | (39,743) |

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's loss for the financial year was £2,089,000 (2009: loss £19,258,000).

## 44 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | 2010<br>£'000 | 2009<br>£'000 |
|---|---|---|
| Loss for the financial year | (2,089) | (19,258) |
| Issue of shares | 12,000 | – |
| Issue costs | (226) | – |
| Share based payments charge/(credit) | 53 | (1,166) |
| Net deduction to shareholders' funds | 9,738 | (20,424) |
| Opening shareholders' funds | 3,379 | 23,803 |
| Closing shareholders' funds | 13,117 | 3,379 |

## 45 LEASING COMMITMENTS

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| The annual commitment under non-cancellable operating leases was as follows: | | |
| Operating leases which expire: | | |
| Within one year | 4 | 30 |
| In two to five years | 184 | 153 |
| In more than five years | 113 | 113 |

## 46 CONTINGENT LIABILITIES

The Company has entered into a bank cross guarantee with its subsidiaries. The guarantee amounts to £10,860,000 at 31 December 2010 (2009: £11,625,000). The assets of the Company and its subsidiaries are pledged as security for the bank borrowings by way of a fixed and floating charge.

## 47 ULTIMATE PARENT UNDERTAKING

The directors consider Geraldton Services Inc to be the ultimate parent and controlling party. Geraldton Services Inc is incorporated in the British Virgin Islands. On 16 April 2010, £8 million of the loan facility of £10 million provided by Geraldton in 2009 was converted into equity. Interest is charged at 10% and compounded on an annual basis.

# Restore plc

## TRADING RECORD

For the year ended 31 December 2010

| Year ended 31 December | 2010<br>£'000 | 2009<br>£'000 | 2008<br>£'000 | 2007[1]<br>£'000 | 2006[1]<br>£'000 |
|---|---|---|---|---|---|
| Revenue | 27,699 | 26,977 | 31,478 | 23,156 | 42,453 |
| Adjusted profit/(loss) before taxation* | 2,731 | (143) | 863 | 3,730 | 5,044 |
| Profit/(loss) before taxation | 699 | (7,790) | (3,852) | (618) | 3,751 |
| Basic earnings/(loss) per share | 3.1p | (107.6)p | (376.0)p | (15.5)p | 33.0p |
| Net debt | (12,373) | (21,572) | (35,142) | (30,917) | (17,649) |
| Net assets | 16,675 | 4,004 | 15,201 | 50,613 | 44,237 |

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

1 = Not restated for continuing operations.

Notice is hereby given that the Annual General Meeting of Restore plc ("the Company") will be held at Marble Arch Tower, 55 Bryanston Street, London W1H 7AA on 3 May 2011 at 2.00 p.m. for the following purposes:

***Ordinary Business***

1. To receive the Company's annual accounts for the financial year ended 31 December 2010, together with the directors' report and the auditors' report on those accounts.

2. To re-appoint Baker Tilly UK Audit 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 Dr. John Forrest, who has been appointed by the Board since the last Annual General Meeting, as a director of the Company.

***Special Business***

As special business, to consider and, if thought fit, to pass the following resolutions which will be proposed as to resolution 5 as an ordinary resolution and as to resolutions 6 and 7 as special resolutions:

5. 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 £767,389.50 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.

6. That, subject to the passing of resolution number 5 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 5 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:

   6.1 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

   6.2 the allotment (otherwise than pursuant to paragraph 6.1 above) of equity securities up to an aggregate nominal amount of £115,108.00,

   and shall expire upon the expiry of the general authority conferred by resolution 5 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.

7. 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:

   7.1 the maximum number of Ordinary Shares authorised to be purchased is 4,604,337;

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

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

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

**By order of the Board**

Sarah Waudby
Company Secretary
8 April 2011

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

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

1. A Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint another person of his/her choice as that Shareholder's proxy to exercise all or any of that Shareholder's rights to attend and to speak and vote at the meeting on his/her behalf. A Shareholder may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that Shareholder. A proxy does not need to be a shareholder of the Company.
2. A Form of Proxy for use in connection with the meeting is enclosed with the document of which this notice forms part. Completion and return of a Form of Proxy will not prevent a Shareholder from attending and voting in person at the meeting. Addresses (including electronic addresses) in this document are included strictly for the purposes specified and not for any other purpose.
3. To appoint a proxy or proxies Shareholders must complete a Form of Proxy, sign it and return it, together with the power of attorney or, any other authority under which it is signed, or a notarially certified copy of such authority, to the Company's registrars, PXS, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so that it is received no later than 2.00 p.m. on 1 May 2011.
4. Only those members entered on the register of members of the Company at 6.00 p.m. on the 1 May 2011 or, in the event that this meeting is adjourned, in the register of members as at 6.00 p.m. 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 the 1 May 2011 or, in the event that this meeting is adjourned, in the register of members before the close of business on the day two days before the date of the adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held at 2.00 p.m. on the 3 May 2011 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.

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

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

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

## EXPLANATION OF RESOLUTIONS

***Resolution 5 – authority to allot shares***

At the last AGM of the Company held on 22 July 2010, the directors were given authority to allot ordinary shares in the capital of the Company up to a maximum nominal amount of £505,869.45 representing approximately one third of the Company's then issued ordinary share capital.

The directors consider it appropriate that a further similar authority be granted to allot ordinary shares in the capital of the Company up to a maximum nominal amount of £767,389.50 representing approximately one third of the Company's issued ordinary share capital as at 6 April 2011 (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 2012 or 15 months.

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

***Resolution 6 – disapplication of statutory pre-emption rights***

Resolution 6 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 £115,108.00, representing approximately 5% of the issued ordinary share capital of the Company as at 6 April 2011 (the latest practicable date before publication of this document) in accordance with the Corporate Governance Policy and recommendations of both the Pre-Emption Group and Association of British Insurers.

***Resolution 7 – authority to make market purchases of own shares***

Resolution 7 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 4,604,337 (representing approximately 10% of the Company's issued ordinary share capital as at 6 April 2011 (the latest practicable date before publication of this letter), 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 alterative to cancelling them. No dividends are paid on shares whilst held in treasury and no voting rights attach to treasury shares.

# Restore plc
## (the "Company")

*(Registered in England – No. 5169780)*

## FORM OF PROXY FOR USE AT THE ANNUAL GENERAL MEETING TO BE HELD ON 3 MAY 2011 AT 2.00 p.m.

I/We ..................................................................................................................................................................
(Name in full in block capitals please)

of ....................................................................................................................................................................

.........................................................................................................................................................................

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

.........................................................................................................................................................................

as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the Company to be held on 3 May 2011 at 2.00 p.m. and at any adjournment of the meeting, on the resolutions listed below, as indicated by an 'X' in the appropriate box and, on any other resolutions, as he thinks fit

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

| Resolution | Business | For | Against | Vote Withheld |
|---|---|---|---|---|
| **ORDINARY RESOLUTIONS** | | | | |
| 1. | To receive the Company's annual accounts for the financial year ended 31 December 2010 together with the directors' report and the auditor's report on those accounts. | | | |
| 2. | To re-appoint Baker Tilly UK Audit LLP as auditors. | | | |
| 3. | To authorise the directors to set the auditors' remuneration. | | | |
| 4. | To re-appoint Dr. John Forrest as a director of the Company. | | | |
| 5. | To authorise the directors to allot shares pursuant to section 551 Companies Act 2006. | | | |
| **SPECIAL RESOLUTIONS** | | | | |
| 6. | To disapply section 561 Companies Act 2006. | | | |
| 7. | To authorise the Company to make market purchases of its own shares. | | | |

Signature: ................................................................................... Date: ...................................................... 2011

*Notes*

1. A member who is entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and to vote instead of him/her provided each proxy is appointed to exercise rights in respect of different shares. To appoint more than one proxy (an) additional proxy form(s) may be obtained by contacting Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, or you may photocopy this page indicating on each copy the name of the proxy you wish to appoint and the number of shares in respect of which the proxy is appointed. All forms must be signed and should be returned to Capita Registrars in the same envelope.
2. A proxy need not be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the space provided. If you sign and return this proxy form with no name inserted as such, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions.
3. If someone else signed the form on your behalf, you or that person must send the power of attorney or other written authority under which it is signed to the address overleaf.
4. In the case of joint holders, the vote of the senior member who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of any other of the joint holders. For these purposes, seniority shall be determined by the order in which the names stand on the register of members.
5. In the case of a corporation, this Form of Proxy must be executed under its common seal or signed on its behalf by a duly authorised officer.
6. To be valid any proxy form or other instrument appointing a proxy must be:
   (a) completed and signed;
   (b) sent or delivered to Capita Registrars, PXS, The Registry, 34 Beckenham, Kent, BR3 4TU; and
   (c) received by Capita Registrars no later than 2 p.m. on 1 May 2011
7. Completion of a Form of Proxy will not affect the right of a member to attend and vote at the Annual General Meeting.
8. To direct your proxy how to vote on the resolutions mark the appropriate box on your proxy form with an 'X'. To abstain from voting on a resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
9. Shares held in uncertificated form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST Manual. The message must be transmitted so as to be received by the Company's agent, Capita Registrars Limited (CREST Participant ID: RA10), no later than 48 hours before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
10. You may not use any electronic address provided either in this form of proxy or any related documents (including the notice of meeting) to communicate with the Company for any purposes other than those expressly stated.

Please use the reply paid envelope provided

# FINANCIAL CALENDAR

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

# COMPANY INFORMATION

**Websites:**

**www.restoreplc.com**
Restore plc website providing comprehensive Group information, investor relations information and links to its subsidiaries' websites which give full details of services provided.

**www.petercox.com**
Peter Cox's website providing details about the company and services offered.

**www.restore.co.uk**
Restore's website providing details about the company and services offered.

**www.sapasolutions.com**
Document Control Service's website providing details about the company and services offered.

**www.londonstockexchange.com**
The website for the London Stock Exchange. This will provide the latest stock price and company announcements under the Restore stock code, RST.

RESTORE PLC

# LOCATIONS

**Restore plc**

Sixth Floor Marble Arch Tower
55 Bryanston Street
London W1H 7AA

T 020 7868 8950
F 020 7868 8600
E info@restoreplc.com

**Restore Limited**

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

T 01293 446270
F 01293 446276
E info@restore.co.uk

**Document Control Services Limited**

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Orton Southgate
Peterborough PE2 6TB

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F 01733 366801
E dcs@sapasolutions.co.uk

**Peter Cox Limited**

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