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14 September 2011

RESTORE PLC
Half Year Results 2011

Restore plc ("Restore" or "the Company"), the UK office services provider, announces its unaudited half year results for the six month period ended 30 June 2011.

Financial Highlights:

Continuing operations

	HY 2011	HY 2010	% Change
Revenue (£m)	15.4	13.4	14.9
Adjusted EBITDA (£m)*	2.4	1.7	41.1
Adjusted operating profit (£m)*	2.0	1.4	42.9
Adjusted profit before tax (£m) *	1.7	1.0	70.0
Adjusted EPS (p) **	2.7	1.5	80.0

** Before discontinued operations, amortisation and impairment of intangible assets, exceptional items and share based payments charge*
*** Calculated based on the shares in issue at 30 June 2011*

Summary:

- Revenue increased by 15% to £15.4m
- Adjusted PBT* up 70% to £1.7m; adjusted EPS** up 80% to 2.7p
- Records management business traded strongly; new contract wins
- Expansion of geographic presence in records management with acquisition of Management Archives and, post period-end, Paterson Data Management
- Entry into office relocation with acquisition of Sargents
- Successful refinancing of bank debt; £4.6m equity raising post period-end

Commenting on the results Charles Skinner, Chief Executive, said:

"We are very encouraged by these excellent results, which demonstrate the strength of our core business and the success of our expansion strategy over the last 12 months.

The acquisitions we have undertaken since the start of 2011 provide Restore with nationwide coverage in records management and entry into the office relocation market, and represent significant steps forward in the Group's development into a broad-based provider of UK office services.

Restore's achievements to date, the forward visibility of our revenues and low operating cost model give the Board confidence in the prospects for further profitable growth in the second half of 2011 and thereafter."

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CHIEF EXECUTIVE'S REVIEW

SUMMARY

I am pleased to report a 70% increase in adjusted profit before tax to £1.7m, on sales up 15% at £15.4m. This strong improvement has been driven by our core records management business where operating profit has increased to £2.4m from £1.7m, partly as a result of the acquisition of Datacare and Formsafe in 2010. Sargents, acquired in April this year, has also made a very encouraging contribution. Peter Cox, our building services division, has performed in line with expectations and slightly ahead of last year.

Adjusted earnings per share were 2.7p (2010: 1.5p).

In the six-month period to 30 June 2011, we have:

- Acquired Sargents, giving us additional records management capability and taking us into the office relocations market
- Refinanced our bank debt, giving us additional bank facilities for growth
- Acquired Management Archives, giving us a records management capability in Northern England

Since 30 June 2011, we have:

- Raised £4.6m in equity for growth and the repayment of subordinated debt owed to Geraldton Services
- Acquired Paterson Data Management, giving us a records management capability in Scotland

We now have a highly profitable records management business covering all of mainland Britain, alongside which we can now offer office relocation in addition to our records management and scanning services. This is an excellent platform for our continued strong growth in UK office services. Furthermore, we have the right balance sheet and access to capital to exploit fully the many opportunities that this market provides.

RESULTS

Operating profit for the six months to 30 June 2011 was £2.0m, before exceptional items, and amortisation and impairment of intangible assets (2010: £1.4m). Profit before tax before amortisation and impairment of intangible assets and exceptional items for the six months ended 30 June 2011 was £1.7m (2010: £1.0m) on sales of £15.4m (2010: £13.4m). Adjusted earnings per share for the period based on the 46.0m shares in issue at 30 June 2011 were 2.7p (2010: 1.5p). (See note 4.)

PROFIT BEFORE TAX

During the period, several exceptional costs were incurred relating to restructuring/redundancies and financing costs, in addition to amortisation of intangible assets and the share-based payments charge. Included in the restructuring/redundancy costs set out below are professional costs on acquisitions, redundancy costs in acquired businesses, and costs related to relocation of acquired businesses. Exceptional finance costs relate to the new banking facility put in place in June 2011. Other finance costs relate to interest on the subordinated loan provided by Geraldton Services which has been repaid subsequent to the period end.

	Six months ended 30 June 2011 £'000	Six months ended 30 June 2010 £'000	Year ended 31 December 2010 £'000
Profit before tax	499	386	699
Share based payments charge	61	-	53
Impairment of intangible assets	-	-	382
Restructuring/redundancies	412	135	333
Increase in onerous lease provision	-	-	430
Amortisation of intangible assets	386	193	417
Exceptional finance costs	238	-	-
Other finance costs	116	246	417
Adjusted profit before tax – continuing operations	1,712	960	2,731

OFFICE SERVICES OPERATIONS

Records Management

Restore Ltd, our records management business, traded strongly. Operating profit in the period, including Datacare and Formsafe, the acquisitions made in 2010, was £2.4m (2010: £1.7m) on turnover of £6.2m (2010: £5.0m). This represented a sharp increase in an already excellent operating margin. It illustrates the success of both our acquisition model and its implementation, as well as the underlying strength of our operations. Organic growth from existing customers was 5%. There were several new contract wins including Cornwall and Hampshire County Councils.

We have continued to create more capacity at our freehold underground facility in Monkton Farleigh, Wiltshire. We have also taken on more space at our facility in Paddock Wood in Kent and at Upper Heyford, Oxfordshire where Datacare is based. Rents for properties suitable for records management are at an historical low, providing a favourable environment for further expansion.

The integration of Datacare has been completed. Datacare's strength in the pharmaceutical and medical sectors are well-matched by the quality of its premises. The business is growing steadily and we have the opportunity to take more space as demand requires. The transfer of Formsafe's records management activities from Sussex and Wales into our existing facilities will shortly be completed ahead of schedule, with cost savings exceeding those budgeted at the time of the acquisition. The integration of Management Archives in Leeds is proceeding to plan and we are confident that we can grow our Northern business on the back of this facility, where there is significant spare storage capacity. Paterson Data Management in Glasgow, acquired in August 2011, will be integrated in a similar fashion to the earlier acquisitions. We are also currently moving the Sargents records management business, both physically and operationally, into Restore.

Our records management business is an excellent operation, characterised by strong operating margins, earnings visibility and cash-flow. We have an industry-leading product for which we can command appropriate pricing and benefit from a low cost base, with property costs which we believe to be amongst the lowest in the sector. This remains a powerful platform for our continued consolidation of smaller records management companies.

Office Relocation

We entered the office relocation market with the acquisition of the business and assets of Sargents Logistics Ltd and Sargents Archives Ltd (together "Sargents") in April 2011. As mentioned above, we are in the process of moving Sargents's records management operations into our records management business. Sargents made a contribution to operating profits of £0.2 million on revenues of £1.2m in its first quarter under our ownership. We have implemented senior management changes in the core relocation business and are confident that we can rebuild a strong brand. Office relocation is an exacting and attractive business, with a very similar channel to market as records management. I look forward to Restore establishing a strong presence in this market, which is showing good signs of recovery.

Scanning

Market conditions for DCS, our document scanning business, have remained very tough. It recorded a small profit in the period, slightly down on the previous year, on flat turnover of £1.1m. The cost base has recently been cut by a further £0.4m per annum to a level at which we expect the business to be able to continue to operate profitably.

BUILDING SERVICES OPERATIONS

Peter Cox, our damp-treatment and timber proofing business, has continued to trade well in testing market conditions. Operating profit for the period was slightly ahead of the previous year on slightly lower turnover of £6.9m. Second quarter trading was weak, largely attributable to the national slowdown in housing transactions, but the seasonally stronger second half has started well.

GROUP

Central costs for the period increased slightly, reflecting additional headcount.

BALANCE SHEET

Net bank debt on 30 June 2011 was £12.2m. A new banking facility of £16.5m was put in place with Barclays in June. Our balance sheet was further strengthened by an equity raising of £4.6m in July, which was partly used to repay in full the outstanding subordinated debt of £2.5m. We now have a strong balance sheet and a supportive bank to enable us to take advantage of the many growth opportunities in our sector.

CASH FLOW

Net bank interest paid before exceptional finance costs amounted to £0.3m (2010: £0.5m). The net cash inflow from continuing operations before capital expenditure was £0.6m (2010: (£0.2m)). This inflow is after taking account of an outflow of £1.8m on working capital.

Capital expenditure totalled £0.6m (2010: £0.5m) compared to depreciation of £0.4m (2010: £0.3m). Significant expenditure comprised the fitting out of empty space in the underground storage areas at Wansdyke and fitting out a new hardened aircraft shelter at Datacare.

DIVIDENDS

On 1 August 2011, shareholders approved the Company's proposed capital reduction. Once this process is complete, the Company will have the ability to pay dividends. It is the Board's intention to declare a maiden dividend in due course and to follow a progressive dividend policy thereafter.

PEOPLE

Providers of business-to-business services rely even more heavily than most companies on the quality and attitude of their staff. We have a stable team of highly professional, competent and energetic people across our businesses. We have been fortunate in our acquisitions in terms of the people who have joined us via this route. I am pleased to welcome them to Restore and to thank all our people for their contribution to the Group's impressive performance.

OUTLOOK

Restore's achievements to date, the forward visibility of our revenues and low operating cost model give the Board confidence in the prospects for further profitable growth in the second half of 2011 and thereafter.

Charles Skinner
Chief Executive

14 September 2011

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2011

	Note	Unaudited Six months ended 30 June 2011 £'000	Unaudited Six months ended 30 June 2010 £'000	Year ended 31 December 2010 £'000
Continuing operations				
Revenue	2	15,408	13,382	27,699
Cost of sales		(7,760)	(6,930)	(14,065)
Gross profit		7,648	6,452	13,634
Administrative expenses		(6,075)	(5,293)	(10,732)
Impairment of intangible assets		-	-	(382)
Exceptional items- operating costs	2	(412)	(135)	(763)
Total operating costs		(6,487)	(5,428)	(11,877)
Operating profit	2	1,161	1,024	1,757
Finance costs		(424)	(638)	(1,058)
Exceptional items – finance costs	2	(238)	-	-
Total finance costs		(662)	(638)	(1,058)
Profit before tax		499	386	699
Income tax (expense) / credit	3	(231)	(176)	257
Profit from continuing operations		268	210	956
Discontinued operations				
Loss from discontinued operations	2	-	(7)	(112)
Profit for the period		268	203	844
Total comprehensive income for the period attributable to owners of the parent		268	203	844
Earnings per share (pence)				
Basic	4	0.6p	1.1p	3.1p
Earnings per share from continuing operations (pence)				
Basic	4	0.6p	1.1p	3.5p

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	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 2010	516	42,396	210	(39,118)	4,004
Profit for the period	-	-	-	203	203
Total comprehensive income for the period	-	-	-	203	203
Transactions with owners					
Issue of shares during the period	1,067	6,933	-	-	8,000
Balance at 30 June 2010	1,583	49,329	210	(38,915)	12,207
Balance at 1 January 2011	2,352	52,334	263	(38,274)	16,675
Profit for the period	-	-	-	268	268
Total comprehensive income for the period	-	-	-	268	268
Transactions with owners					
Share based payments charge	-	-	61	-	61
Balance at 30 June 2011	2,352	52,334	324	(38,006)	17,004

Condensed Consolidated Statement of Financial Position

At 30 June 2011

	Unaudited 30 June 2011 £'000	Unaudited 30 June 2010 £'000	31 December 2010 £'000
Assets			
Non-current assets			
Intangible assets	20,364	18,512	19,776
Property, plant and equipment	12,741	11,683	12,305
Deferred tax asset	514	343	528
	33,619	30,538	32,609
Current assets			
Inventories	128	136	120
Trade and other receivables	8,847	7,011	7,601
Cash and cash equivalents	924	1,359	2,568
	9,899	8,506	10,289
Total assets	43,518	39,044	42,898
Liabilities			
Current liabilities			
Trade and other payables	(5,849)	(4,840)	(5,897)
Bank overdrafts and loans	(2,107)	(10,188)	(10,628)
Current tax liabilities	(275)	(176)	(232)
Provisions	(314)	(313)	(314)
	(8,545)	(15,517)	(17,071)
Net current assets/(liabilities)	1,354	(7,011)	(6,782)
Non-current liabilities			
Financial liabilities - borrowings	(13,326)	(6,326)	(4,313)
Deferred tax liability	(3,486)	(3,750)	(3,544)
Provisions	(1,156)	(1,244)	(1,295)
	(17,969)	(11,320)	(9,152)
Net assets	17,004	12,207	16,675
Equity			
Share capital	2,352	1,583	2,352
Share premium account	52,334	49,329	52,334
Share based payments reserve	324	210	263
Retained deficit	(38,006)	(38,915)	(38,274)
Capital and reserves attributable to owners of parent	17,004	12,207	16,675

Unaudited Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Note	Unaudited Six months ended 30 June 2011	Unaudited Six months ended 30 June 2010	Year ended 31 December 2010
		£'000	£'000	£'000
Net cash generated from/(used by) operations	5	606	(244)	1,592
Net finance costs		(647)	(451)	(748)
Income taxes paid		(232)	-	(50)
Net cash generated from/(used by) operating activities		(273)	(695)	794
Cash flows from investing activities				
Purchases of property, plant and equipment and applications software		(602)	(542)	(1,149)
Purchase of subsidiary including acquisition costs, net of cash acquired		(1,261)	-	(1,880)
Cash flows used in investing activities		(1,863)	(542)	(3,029)
Cash flows from financing activities				
Proceeds from share issues		-	-	3,774
Repayment of borrowings		(12,000)	(4,000)	(4,000)
New bank loans raised		11,000	-	-
Increase in bank overdrafts		1,492	1,997	430
Net cash generated/(used) in financing activities		492	(2,003)	204
Net decrease in cash and cash equivalents		(1,644)	(3,240)	(2,031)
Cash and cash equivalents at start of period		2,568	4,599	4,599
Cash and cash equivalents at the end of period		924	1,359	2,568

Notes to the Consolidated Interim report

For the six months ended 30 June 2011

1 Basis of preparation

The condensed consolidated interim financial information for the half year ended 30 June 2011 was approved by the Board of Directors for issue on 14 September 2011. The disclosed figures are not statutory accounts in terms of Section 435 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2010, on which the auditors gave an audit report which was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006, have been filed with the Registrar of Companies. The annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union.

This half-yearly report has been prepared on a basis consistent with the accounting policies expected to be applied for the year ended 31 December 2011, and uses the same accounting policies and methods of computation applied for the year ended 31 December 2010.

There were no new relevant standards or interpretations to be adopted for the six months ended 30 June 2011.

2 Segmental information

The Group is organised into four main operating segments, Records Management, Document Scanning, Office Relocations and Peter Cox, and operates one service per segment as described in the Chief Executive's review. All trading of the Group is undertaken within the United Kingdom and the Group 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.

REVENUE

The revenue from external customers was derived from the Group's principal activities in England (the companies' country of domicile) as follows:

	Unaudited Six months ended 30 June 2011 £'000	Unaudited Six months ended 30 June 2010 £'000	Year Ended 31 December 2010 £'000
Records Management	6,212	4,996	10,737
Document Scanning	1,083	1,202	1,978
Office Relocation	1,168	-	-
Peter Cox	6,945	7,184	14,984
	15,408	13,382	27,699

2 **Segmental information (continued)**

RESULTS – Continuing operations

The profit after tax was derived from the Group's principal activities in England as follows:

	Unaudited Six months ended 30 June 2011 £'000	Unaudited Six months ended 30 June 2010 £'000	Year Ended 31 December 2010 £'000
Records Management	2,362	1,699	3,901
Document Scanning	10	132	(69)
Office Relocation	218	-	-
Peter Cox	54	19	446
Segment operating profit	2,644	1,850	4,278
Central costs	(624)	(498)	(906)
Share based payments charge	(61)	-	(53)
Impairment of intangible fixed assets	-	-	(382)
Exceptional items	(412)	(135)	(763)
Amortisation of intangible assets	(386)	(193)	(417)
Operating profit	1,161	1,024	1,757
Net finance cost	(424)	(638)	(1,058)
Exceptional financing costs	(238)	-	-
Profit before tax	499	386	699
Income tax (charge) / credit	(231)	(176)	257
Profit after tax	268	210	956

The operating exceptional item of £412,000 relates to restructuring and redundancy costs of £319,000 and costs of acquisition of £93,000 (six months ended 30 June 2010: £135,000 relates to redundancy costs and financing fees).

In the year ended 31 December 2010, the exceptional items of £333,000 relate to restructuring costs and £430,000 relate to an increase in provision for onerous lease costs.

The exceptional finance costs of £238,000 relate to the costs incurred with the new bank facility.

2 **Segmental information (continued)**

RESULTS - Discontinued operations

	Unaudited Six months ended 30 June 2011 £'000	Unaudited Six months ended 30 June 2010 £'000	Year ended 31 December 2010 £'000
Emergency Repair			
Operating loss	-	(7)	(91)
Net finance expense	-	-	(96)
Loss before tax	-	(7)	(187)
Income tax credit	-	-	75
Loss for the period from discontinued operations	-	(7)	(112)
Segmental assets:			
Records Management	35,479	30,920	31,668
Document Scanning	640	1,230	4,805
Office Relocations	1,279	-	-
Peter Cox	5,091	6,732	6,190
Central	975	73	181
Discontinued operations	54	89	54
Total	43,518	39,044	42,898
Segmental liabilities:			
Records Management	(6,485)	(3,602)	(5,180)
Document Scanning	(140)	(1,177)	(1,252)
Office Relocation	(721)	-	-
Peter Cox	(3,023)	(3,395)	(3,394)
Central	(15,995)	(18,399)	(16,247)
Discontinued operations	(150)	(264)	(150)
Total	(26,514)	(26,837)	(26,223)
Property, plant and equipment and software	602	542	1,164
Depreciation of property, plant and equipment and amortisation of intangible assets	736	492	1,036

All assets are located in the United Kingdom.

3 Tax

The underlying tax charge is based on the expected effective tax rate for the full year to 31 December 2011.

4 Earnings per ordinary share

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

Adjusted earnings per share are before amortisation and impairment of intangible assets, share based payments charge, other finance costs and exceptional items and 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.

	Unaudited Six months ended 30 June 2011 £'000	Unaudited Six months ended 30 June 2010 £'000	Year ended 31 December 2010 £'000
Weighted average number of shares in issue	46,043,372	18,754,211	26,989,490
Total profit after tax for the year (£'000)	268	203	844
Total basic earnings per ordinary share (p)	0.6	1.1	3.1
Profit after tax for the year – continuing operations (£'000)	268	210	956
Basic earnings per ordinary share – continuing operations (p)	0.6	1.1	3.5
	£'000	£'000	£'000
Profit before tax for the period – continuing operations (£'000)	499	386	699
Adjustments			
Amortisation of intangible assets	386	193	417
Impairment of intangible assets	-	-	382
Exceptional items	650	135	763
Share based payments charge	61	-	53
Other finance costs	116	246	417
Tax effect of above (26.5%, 28.5%, 28%)	(454)	(274)	(765)
Adjusted profit – continuing operations	1,258	686	1,966
Adjusted basic earnings per ordinary share (p)	2.7	3.7	7.3
Loss after taxation on ordinary activities – discontinuing operations (£'000)	-	(7)	(112)
Basic loss per ordinary share – discontinuing operations (p)	-	(0.0)	(0.4)

There were no dilutive potential ordinary shares as all options were underwater or not yet exercisable and therefore non dilutive.

4 Earnings per ordinary share (continued)

Additional adjusted earnings 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 per share, based on the 46.0m ordinary shares in issue at 30 June 2011, is calculated below:

	Unaudited Six months ended 30 June 2011 £'000	Unaudited Six months ended 30 June 2010 £'000	Year ended 31 December 2010 £'000
Adjusted profit after taxation (£'000)	1,258	686	1,966
Adjusted earnings per share (p)	2.7	1.5	4.3

The Directors believe that the adjusted basic earnings per share provide a more appropriate representation of the underlying earnings derived from the Group's business.

5 Cash inflow from operations

	Unaudited Six months ended 30 June 2011 £'000	Unaudited Six months ended 30 June 2010 £'000	Year ended 31 December 2010 £'000
Cash inflow from operating activities			
Continuing operations			
Profit for the period	268	210	956
Depreciation of property, plant and equipment	350	299	619
Amortisation of intangible assets	386	193	417
Impairment of intangible assets	-	-	382
Finance costs recognised in profit and loss	662	638	1,058
Income tax expense/(credit) recognised in profit and loss	231	176	(257)
Share based payments credit	61	-	53
Operating exceptional items	412	135	333
Movement in working capital			
Increase in inventories	(8)	(19)	(3)
(Increase)/decrease in trade and other receivables	(1,107)	321	221
Decrease in trade and other payables	(649)	(2,190)	(1,947)
Net cash generated from / (used by) continuing operations	606	(237)	1,832
Discontinued operations			
Loss for the period	-	(7)	(112)
Finance costs recognised in profit and loss	-	-	96
Income tax credit recognised in profit and loss	-	-	(76)
Decrease in trade and other receivables	-	-	404
Decrease in trade and other payables	-	-	(552)
Net cash used in discontinued operations	-	(7)	(240)
Net cash generated from / (used by) operations	606	(244)	1,592

6 Acquisitions

On 8 April 2011 Restore plc acquired the business and assets of Sargents Logistics Ltd and Sargents Archive Limited (together "Sargents") from Administration. Sargents is a records management and office relocation business, based in Belvedere in South-East London. Sargents was founded in 1989 and provides a single integrated service for the relocation and storage needs of businesses predominantly in London. It currently employs 65 staff. The consideration was £500,000 funded from existing banking facilities. In the year to 31 August 2010 Sargents made an unaudited operating profit of £324,000 on turnover of £5,993,000. The unaudited value at 31st August 2010 of the net assets being acquired was £363,000.

On 30 June 2011 Restore plc acquired the business and assets of Management Archives. Founded in 1990 Management Archives is a document storage company with a diverse range of customers predominantly in the North East of England. Management Archives was purchased for a cash consideration of £725,000 funded from existing bank facilities. In the year to 31 December 2010 Management Archives recorded operating profit of £398,000 before rental costs on a turnover of £738,000. This acquisition represents another step towards growing Restore's data management activities across the UK. It complements the existing Restore document storage business and provides the Group with greater geographical spread across the UK.

ENDS