13 March 2018

RESTORE PLC

Full Year Unaudited Results 2017

Restore plc ("Restore" or "the Group"), the UK office services provider, announces its unaudited results for the year ended 31 December 2017.

Financial Highlights:

ADJUSTED RESULTS - Continuing operations	2017	2016	Change
Revenue	£176.2m	£129.4m	36%
EBITDA*	£39.7m	£29.3m	35%
Operating profit*	£33.7m	£25.0m	35%
Profit before tax*	£31.2m	£23.0m	36%
Earnings per share - basic **	22.4p	17.9p	25%
Dividend per share	5.0p	4.0p	25%
Net debt	£78.2m	£72.3m	

*Before exceptional items, amortisation of intangible assets and share-based payments charge.
**Calculated based on the weighted average shares in issue and a standard tax charge.

STATUTORY RESULTS - Continuing operations		
Revenue	£176.2m	£129.4m
Operating profit	£12.2m	£9.5m
Profit before tax	£9.7m	£7.5m
Earnings per share - basic	6.9p	10.3p

Summary:

- Group revenue up 36% to £176.2m
- Group adjusted profit before tax up 36% to £31.2m
- Adjusted basic earnings per share up 25% to 22.4p
- Document Management revenue up 41%; adjusted operating profit up 41%
    - GDPR expected to drive major projects for Document Management Division
- Relocation revenue up 25%; adjusted operating profit up 16%
    - Significant office moves for Bloomberg and Facebook
- First full year of PHS Data Solutions; shredding business transformed
- Total dividend up 25% to 5.0p per share

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

"We are pleased to report another strong performance in 2017, during which Restore continued to extend its position as a leading operator in the UK office services market.

Organic revenue growth across the Group ran at 7%, with all of our activities showing year-on-year growth, whilst PHS DS has been a highly successful acquisition for our Document Management division, transforming our shredding business into one of the two UK market leaders and adding critical mass to both our records management and scanning businesses.

We will continue to pursue our strategy of organic and acquisitive growth and we are well positioned to gain further market share across all of our businesses. Trading at the start of the year has been in line with our expectations and we look forward to delivering another year of progress in 2018."

For further information please contact:

Restore plc
Charles Skinner, Chief Executive 07966 234 075
Adam Councell, Group Finance Director 07860 402 434

Cenkos Securities
Nicholas Wells 020 7397 8900
Elizabeth Bowman

FTI Consulting
Nick Hasell 020 3727 1340
Alex Le May

Chairman’s Introduction 2017

Overview

In my first Chairman’s Statement since taking on the role at the beginning of this year, I am pleased to report another year of strong progress by your Company. The results speak for themselves. Restore continues to extend its position as an important operator in the UK office services market. It remains focused on activities where it can generate excellent returns with strong visibility. It is a leader in its primary activities and it has an impressive track record of continually strengthening its market positions.

Results

For the year to 31 December 2017, adjusted profit before tax was £31.2m on revenues of £176.2m. Both adjusted profit before tax and revenue were up 36% year-on-year. Adjusted earnings per share increased by 25% to 22.4p. These results reflect the successful integration and full-year contribution from PHS Data Solutions, acquired in August 2016, and further good organic growth across the Group.

Strategy

Restore is one of the two UK market leaders in each of our four main activities. These activities all share certain key characteristics such as predictable revenues, high customer retention and a similar channel to market, and the performing of complex and often mission-critical services. All of these activities, and some of our smaller but fast-growing activities such as IT recycling, have been steadily and swiftly built through acquisition and organic growth, but never at the expense of compromising customer service. As a result, we have a formidable platform from which to continue to strengthen our position in the UK office services sector.

People

It is an honour to succeed Sir William Wells as Chairman. Sir William and our Chief Executive Charles Skinner took on what was a small and struggling enterprise in June 2009 and have built it into a major company in the UK support services sector. With his wealth of experience, Sir William has guided the business adroitly over the last 9 years, with a judicious blend of ambition and good sense. We wish him well in his retirement.

Restore operates a highly decentralised model where power and responsibility are locked together and our people are encouraged to assume as much responsibility as possible. The success of the business reflects their abilities and passion, and I thank them for what they have achieved. I am pleased to report that we will be launching a companywide Sharesave scheme in the next few weeks so all of our people have the opportunity to share in the success of the Company in line with the shareholders.

Dividends

Your Board is recommending a final dividend of 3.33p, payable on 6 July 2018. The total dividend for the year is 5.0p, a 25% year-on-year increase. This reflects the Board’s firm intention to follow a progressive dividend policy.

Chief Executive's Review

Results

For the year ended 31 December 2017, profit before tax, exceptional items, amortisation and share-based payments was £31.2m, a year-on-year increase of 36% (2016: £23.0m). Turnover was £176.2m (2016: £129.4m). Earnings per share on an adjusted basis were up 25% at 22.4 pence (2016: 17.9 pence).

Much of the year-on-year growth derived from the first full-year contribution from PHS Data Solutions ("PHS DS"), which was acquired in August 2016. PHS DS has been a highly successful acquisition for our Document Management division. It transformed our shredding business into one of the two UK market leaders and added critical mass to both our records management and scanning businesses. But there is more to these results than one successful integration. Organic revenue growth across our Group ran at 7%, with all of our activities showing year-on-year growth. Overall operating margins across the Group were broadly flat at 19.1% which is a good achievement given that businesses acquired over the last two years such as PHS DS were all previously operating at margins below this.

Document Management Division

Our Document Management division comprises our records management, shredding and scanning activities. It increased revenue by 41% to £126.9m (2016: £90.1m). Adjusted operating profit increased 41% to £31.0m (2016: £22.0m). These figures reflect the first full year of the successful integration of the PHS DS acquisition. Organic growth in the division was 5%.

Restore Records Management remains comfortably the Group's largest business in terms of profit contribution. Operating as Restore Records Management, we store more than 15 million boxes across 45 UK sites, as well as storing other ancillary materials. The leading indicator of growth is annual net box growth, which continued to remain positive. Organic growth of new boxes from existing customers was robust and new business wins were also steady. Destruction rates were slightly higher than the historic trend and we continued to see comparatively high levels of box removal, driven by an ongoing long-term exit of a major customer from an acquired business. Revenue growth was also helped by improved scope to increase prices to reflect rising rental and employment costs.

A key determinant of profitability is occupancy rates which were around 93 per cent at year-end. We have been successful in increasing occupancy rates at the acquired PHS DS sites, which were running at 82 per cent at the time of acquisition. We vacated the Leyton site, which was part of the PHS DS acquisition, and completed the vacation of the Charlton and Bristol sites, which were respectively part of the Cintas and Wincanton acquisitions. We regularly review our portfolio and have a programme of exiting unsuitable sites as lease terms allow and developing more appropriate locations. In recent years we have expanded our capacity in our freehold site outside Bath and taken more former aircraft shelters at our site in Oxfordshire. As part of this programme, we are also expecting to expand our site in Rainham, East London.

We continue to look for further acquisitions to consolidate our position as one of the two major records managers in the UK. During the year we acquired a small records management business in Dorset and also acquired some box contracts as part of a shredding acquisition.

Restore Datashred, our secure shredding and recycling business, which primarily comprises the acquired PHS Datashred operations, performed satisfactorily and showed good organic growth. The UK market for shredding continues to grow as enterprises become increasingly aware of the importance of secure destruction. Demand for high-quality office paper for recycling also remains strong. Profits were in line with those expected at the time of the PHS DS acquisition, with stronger revenues balanced by higher than budgeted costs. During the year, the business moved off its former parent's operating systems. This was a major task involving the creation of new operating systems and a new back office, significant training for our staff, and the education of customers on new processes. This transition had an adverse effect on debtor collection in the year but the continued revenue growth of the business during this testing period is testimony to its strength.

Datashred's organic growth was supplemented by several acquisitions that further strengthened its market position as one of the two major UK operators. Of the five acquisitions made during the year, only one acquired site has been retained for long-term development, and all the former Restore shredding sites have now been closed. We continue to invest in our operational infrastructure: our South London operations will shortly move into a new flagship site in Crayford, which will significantly increase our capacity and efficiency in the key London area. We are also relocating our branch in Livingston, Scotland, to a more modern site.

The key metric for operating profitability in secure shredding is revenue generated per collection vehicle. It is a route-density business where scale has considerable advantages in terms of vehicles collecting from more sites in the same area, which provides consistent and increasing volumes for local processing plants. Further benefits derive from being one of the only two operators able to service national customers from our own resources. We continue to see significant scope for consolidating what is currently a highly fragmented and growing market.

Restore Digital, formerly Restore Scan, grew revenues and recorded double-digit operating profit margins, a significant improvement on previous years. It successfully executed its major contract for scanning exam papers in May and June and this contract has now been extended for another five years. It continues to work on long-term partnering contracts with customers such as the Nuclear Decommissioning Authority, as well as on major medium-term projects, particularly with NHS Trusts on digitising patient records. It benefits from a regular flow of work as well as occasional short-term one-off projects, including a major public sector project executed in the first quarter of the year.

The scanning operations of PHS DS have now been fully integrated, increasing the business's critical mass and the breadth of its offering. Subsequent to the acquisition, sites in Leyton, Birmingham and a central London office were closed, along with a facility in Oldham that was closed after a contract for the sole customer that it served moved towards completion. We now operate from six sites across mainland Britain, as well as facilities on our customers' sites.

In the core scanning area, we are now one of the two main UK operators, and therefore able to support a substantial technology-driven overhead in a market with many small scanning operators. While capacity can easily be brought onstream at many of these smaller businesses, they are typically unable to keep pace with technological development and increasingly sophisticated customer requirements. We have made two small acquisitions in this area since the year-end and we continue to believe there is considerable scope to consolidate this fragmented market.

The General Data Protection Regulations ("GDPR"), which come into force in May 2018, can be expected to put more focus on the importance of professional document management. We believe that, as the leading UK document management business with market-leading capabilities in storage, shredding and scanning, we are well-positioned to play a leading role in this development. We expect to see more major projects for our records management operations, which may in turn lead to higher destruction rates, particularly in the short term. As a result, we expect strong growth in the shredding market, as more enterprises understand the need to ensure secure shredding of relevant documents, and also in scanning, driven by the need for enterprises to access their customer data more quickly.

Relocation Division

Our Relocation division comprises the leading UK office relocation business, Restore Harrow Green, and Restore Technology which is made up of our IT recycling businesses, formerly known as IT Efficient and The ITAD Works, our IT relocation business, formerly known as Relocom, and ITP, our toner recycling business. The division increased revenue by 25% to £49.3m (2016: £39.3m). Adjusted operating profit increased by 16% to £5.2m (2016: £4.5m). Organic growth in the division was a remarkable 13%.

Restore Harrow Green had another strong year. Our large regular customers remained generally busy and we re-secured long-term contracts with PwC, UBS and Anglia Ruskin University. We were also awarded a further outstanding element of the Ministry of Defence housing contract that we first secured in 2014, such that we are now the sole contractor. We undertook significant moves for a number of large customers, including Facebook, Bloomberg, Westminster City Council, Royal College of Surgeons, Provident Financial, Thales and NHS Dumfries & Galloway. There was some pressure on labour rates, particularly for HGV drivers, but we were generally able to pass additional costs on to our customers. We have moved our East London warehouse to a newer facility nearby. GMS, our international moves business, had a quiet year.

Our IT lifecycle services business, now trading under the **Restore Technology** name, had an excellent year and traded ahead of expectations. Our original business, IT Efficient, had progressed steadily since acquisition in 2013 and traded strongly in 2016. We acquired The ITAD Works in February 2017 and the combined businesses have swiftly become a powerful force in their marketplace. This is an attractive business at an exciting stage of its development, with strong demand for secure IT disposal and recycling and customers increasingly looking to us to handle the full lifecycle of their hardware. The business has many established customer relationships and continues to expand its customer base, partly through Restore Harrow Green and other Group businesses. As part of this, we are moving our original business to a more modern site in Bedford. Our IT relocation business, formerly Relocom, produced strong results, helped by the major move for Bloomberg. Our toner cartridge recycling business ITP, which also now trades under the Restore Technology name, has undergone significant change over the last 18 months and, although its market remains difficult, its performance has improved and we are hopeful that it will contribute to Group profits in the current year.

Restore as a Group

Both our divisions and the businesses within them operate in the same market, supplying services to UK offices. They generally share a similar customer base, within which all of our services are typically procured by the same team or individual. We have nationwide coverage and all of our businesses operate on the same Customer Relationship Management system, which further binds our businesses together and enables cross-selling, whose effectiveness can be constantly monitored. None of the main competitors in each of our individual business streams offer these other closely-related activities in a meaningful way, giving us a unique proposition to our customers. Furthermore, our focus on the UK market gives us the understanding of our customers' specific needs and the flexibility to adapt our services to these needs.

We have been making steady progress on our cross-selling over the past few years. For example, over half of our largest 200 customers in 2014 took only one service from us. Last year, of these same customers, less than a quarter only took one service.

As an illustration of our penetration of the UK market, across our Group, we provide a service to:

- 90% of the top 100 UK legal practices
- 80% of the top 50 UK accountancy companies
- 80% of FTSE-100 companies
- 74% of UK National Health Trusts
- 55% of mainland Britain local authorities.

Given the strong coherence of our businesses, we have committed to rebrand all of our businesses and the Group under the Restore banner. This has been driven by our operations rather than as a central initiative. As part of this, Harrow Green is being branded as Restore Harrow Green, with Restore Scan becoming Restore Digital and our IT lifecycle services and toner cartridge recycling activities trading as Restore Technology.

Outlook

We continue to have an excellent platform for further growth in the UK office services market. Our records management business can be expected to grow steadily in the coming years and should make incremental improvements to its operating margins. Restore Harrow Green continues to build on its preeminent position in office relocation. Restore Datashred, Restore Digital and our IT lifecycle business are all in strong positions in growing, fragmented markets where we would expect to play a role in further industry consolidation.

We will continue to pursue a strategy of acquisitions and organic growth. We are well-positioned to gain further market share areas in all of our businesses. Trading at the start of the year has been in line with our expectations and we look forward to delivering another year of progress in 2018.

FINANCE DIRECTOR'S REPORT

Profit Before Tax

Profit before tax from continuing operations for the year ended 31 December 2017 was £9.7m (2016: £7.5m). The year-on-year increase in profitability can be attributed to;

- The full year contribution of the PHS DS acquisition which completed in August 2016.
- A robust performance from the core Document Management division.
- Another strong performance from our Relocation division.

This performance has been partially offset by an increase in exceptional costs.

Exceptional costs of £15.5m (2016: £10.3m) include the settlement of a proportion of the share options issued under the 2013 Executive Incentive Plan in cash (£7.1m). There were £6.7m (2016: £6.2m) of restructuring and redundancy costs which were largely incurred as part of the integration of PHS DS. This primarily consisted of redundancy payments, double-running costs of roles which were scheduled for redundancy and double running costs of properties prior to rationalisation. The majority of these costs are incurred in the 12 months following an acquisition. Typically the restructuring and redundancy costs incurred equate to approximately the anticipated annualised cost saving. Further details on exceptional costs follow later in this report.

Amortisation of intangible assets for the year was £5.4m (2016: £4.4m) with the increase attributable to the higher carrying value of intangible assets.

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

Continuing operations	2017 £'m	2016 £'m
Profit before tax	9.7	7.5
Amortisation of intangible assets	5.4	4.4
Exceptional items	15.5	10.3
Share-based payments charge	0.6	0.8
Adjusted profit before tax – continuing operations	31.2	23.0

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

Continuing operations	2017 £'m	2016 £'m
Operating profit	12.2	9.5
Amortisation of intangible assets	5.4	4.4
Exceptional items	15.5	10.3
Share-based payments charge	0.6	0.8
Adjusted operating profit	33.7	25.0
Depreciation	6.0	4.3
Adjusted EBITDA	39.7	29.3

Earnings Per Share (Eps)

	2017	2016
Basic adjusted earnings per share from continuing operations (pence)	22.4p	17.9p
Basic earnings per share from continuing operations (pence)	6.9p	10.3p

Basic adjusted earnings per share are calculated as adjusted profit for the year less standard tax charge divided by the weighted average number of shares in issue in the year. Basic earnings per share reflect the actual tax charge which in 2016 included tax credits relating to the exercise of share options and recognition of historic losses due to increased certainty of recoverability.

Exceptional Costs

	2017 £'m	2016 £'m
Acquisition – transaction costs	0.5	1.2
Acquisition – box relocation and transport costs	0.5	0.4
Restructuring and redundancy costs	6.7	6.2
Other exceptional	7.8	2.5
Total	15.5	10.3

As part of the Group's strategy is to grow through acquisition it is essential that acquired businesses are restructured to integrate them fully into the Group's operations and deliver the anticipated returns. In order to give a suitable representation of underlying earnings it is appropriate to show these costs as exceptional along with any other items which are exceptional in nature. In the year the Group continued to integrate and restructure the PHS DS business in addition to the 7 smaller acquisitions made during the year.

Transaction costs include stamp duty costs and transitional service arrangement fees, in addition to the cost of legal and professional fees incurred as part of the acquisitions.

Box relocation and transport costs include the cost of uplifting boxes to existing facilities and the movement of boxes from facilities which closed as result of acquisitions. In the period the Group completed the closure of the Cintas Charlton site on schedule.

Restructuring and redundancy costs were £6.7m in 2017. As noted above these primarily relate to the PHS DS acquisition and include:

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

Other exceptional costs include £7.1m related to the cash settlement of a proportion of share options issued under the 2013 Executive Incentive Plan. As a result of this, 1,759,073 nil-cost options granted under the EIP were cancelled, thereby reducing the amount of ongoing share dilution. The executive directors used part of the cash settlement to fund the tax liability on the remainder of the options exercised.

Interest

Net finance costs amounted to £2.5m (2016: £2.0m) which reflects the increased average levels of debt experienced during the year as a result of acquisitions.

Taxation

UK Corporation Tax is calculated at 19.25% (2016: 20%) of the estimated assessable profit/(loss) for the year. The UK Corporation Tax rate reduced to 19% on 1 April 2017. The rate will reduce to 17% on 1 April 2020; accordingly, these rate reductions have been reflected in the deferred tax balance which forms part of the statement of financial position.

Statement of Financial Position

Net assets increased slightly to £155.9m (2016: £152.1m). Goodwill and intangibles at 31 December 2017 were £193.9m (2016: £190.3m).

Property, plant and equipment totalled £46.1m (2016: £47.6m), comprising the freehold underground storage facilities in Wiltshire, storage racking, operational equipment, vehicles and computer systems. The development of additional storage space in the underground facility continued in 2017 and is now largely complete.

Cash Flow

The net cash inflow from operations was £15.7m (2016: £18.2m). However 2017 includes a £7.9m outflow related to the cash settlement of EIP options already noted.

Net working capital usage in the year was £7.8m and partially reflects an unwind of a particularly strong end to 2016. The key movements can be summarised as:

- A £2.1m increase in trade receivables in our shredding business. The increase has been driven by the transfer onto new IT platforms following the transfer away from PHS-supported systems. We would expect the debtor levels to return to normal levels as the new teams and system bed down in 2018.
- Settlement of recharges and customer rebates totalling £1.6m that were outstanding at December 2016 as a result of the PHS Data Solutions acquisition.
- An estimated reduction of £1.7m in other payables resulting from the conversion to monthly payments on account for VAT.
- Payments against property provisions of £1.4m. This includes rent and rates on the Cintas Charlton site of £0.6m which has now been successfully exited.
- Estimated organic growth related working capital of £0.9m.

Capital expenditure totalled £5.3m (2016: £5.2m). The Group has continued to invest in both the scanning and shredding businesses in addition to the investment required in our records management business to bring the final chamber in the underground facility on stream.

Net Debt

Net debt at the end of the year was £78.2m (2016: £72.3m) reflecting the 7 acquisitions undertaken during the year. In September we announced that the Group had agreed an extension to its bank facilities with its lenders. The new arrangements extended the existing facilities through to November 2022 and in addition provided a further £20m of committed funds and a £30m uncommitted accordion facility. These facilities put us in a strong position to continue our growth strategy.

Bank facilities at the end of the year totalled £110.7m comprising a £80.7m term loan and a £30.0m revolving credit and overdraft facility. The total amount drawn against these facilities at the year end was £90.1m. The Group has sufficient headroom on its facilities at the end of the period to continue to fund smaller acquisitions as part of its strategy.

Adam Councell

Group Finance Director

Unaudited consolidated statement of comprehensive income

For the year ended 31 December 2017

	Note	**Year Ended 31 December 2017 £'m**	Year Ended 31 December 2016 £'m
Revenue	2	176.2	129.4
Cost of sales		(108.9)	(81.6)
Gross profit		67.3	47.8
Administrative expenses		(34.2)	(23.6)
Amortisation of intangible assets		(5.4)	(4.4)
Exceptional items	3	(15.5)	(10.3)
Operating profit		12.2	9.5
Finance costs		(2.5)	(2.0)
Profit before tax		9.7	7.5
Income tax (charge)/credit	4	(1.9)	3.1
Profit and total comprehensive income for the year from continuing operations		7.8	10.6
Profit from discontinued operations		-	7.7
Attributable to owners of the parent		7.8	18.3
Earnings per share attributable to owners of the parent (pence)	5		
Total – basic		6.9p	17.8p
Total – diluted		6.7p	16.9p
Continuing operations – basic		6.9p	10.3p
Continuing operations – diluted		6.7p	9.8p
Discontinuing operations – basic		-	7.5p
Discontinuing operations – diluted		-	7.1p

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

Operating profit		12.2	9.5
Adjustments for:			
Amortisation of Intangible assets	5	5.4	4.4
Exceptional Items	5	15.5	10.3
Share-based payments charge	5	0.6	0.8
Adjustments		21.5	15.5
Adjusted operating profit		33.7	25.0
Depreciation of property, plant and equipment		6.0	4.3
Earnings before interest, taxation, depreciation, amortisation and exceptional items (EBITDA)		39.7	29.3
Profit before tax		9.7	7.5
Adjustments		21.5	15.5
Adjusted profit before tax		31.2	23.0

Unaudited consolidated statement of changes in equity

For the year ended 31 December 2017

	Attributable to owners of the parent				
	Share capital £'m	**Share premium £'m**	**Other reserves £'m**	**Retained earnings £'m**	**Total Equity £'m**
Balance at 1 January 2016	4.8	67.5	4.7	27.7	104.7
Profit for the year	-	-	-	18.3	18.3
Total comprehensive income for the year	-	-	-	18.3	18.3
Transactions with owners					
Issue of shares during the year	0.8	34.6	-	-	35.4
Issue costs	-	(1.2)	-	-	(1.2)
Dividends	-	-	-	(3.7)	(3.7)
Transfers	-	-	(0.9)	0.9	-
Share-based payments charge	-	-	0.8	-	0.8
Deferred tax on share-based payments	-	-	(2.2)	-	(2.2)
	0.8	33.4	(2.3)	(2.8)	29.1
Balance at 31 December 2016	5.6	100.9	2.4	43.2	152.1
Balance at 1 January 2017	5.6	100.9	2.4	43.2	152.1
Profit for the year	-	-	-	7.8	7.8
Total comprehensive income for the year	-	-	-	7.8	7.8
Transactions with owners					
Dividends	-	-	-	(4.9)	(4.9)
Transfers	-	-	(0.4)	0.4	-
Share-based payments charge	-	-	0.6	-	0.6
Cash settlement of EIP options	-	-	(0.8)	-	(0.8)
Deferred tax on share-based payments	-	-	1.4	-	1.4
Minority interest (note 7)	-	-	-	(0.3)	(0.3)
	-	-	0.8	(4.8)	(4.0)
Balance at 31 December 2017	5.6	100.9	3.2	46.2	155.9

Unaudited consolidated statement of financial position

As at 31 December 2017

	2017 £'m	2016 £'m
ASSETS		
Non-current assets		
Intangible assets	193.9	190.3
Property, plant and equipment	46.1	47.6
Deferred tax asset	3.9	2.8
	243.9	240.7
Current assets		
Inventories	2.0	1.9
Trade and other receivables	43.4	38.4
Cash and cash equivalents	10.7	13.4
	56.1	53.7
Total assets	300.0	294.4
LIABILITIES		
Current liabilities		
Trade and other payables	(33.5)	(34.3)
Financial liabilities – borrowings	(9.4)	(7.3)
Other financial liabilities	(0.1)	(0.1)
Current tax liabilities	(0.9)	(1.5)
Provisions	(1.5)	(1.0)
	(45.4)	(44.2)
Non-current liabilities		
Financial liabilities – borrowings	(79.5)	(78.4)
Other long term liabilities	(0.1)	(0.2)
Other financial liabilities	(0.2)	(0.3)
Deferred tax liability	(13.3)	(13.2)
Provisions	(5.6)	(6.0)
	(98.7)	(98.1)
Total liabilities	(144.1)	(142.3)
Net assets	155.9	152.1
EQUITY		
Share capital	5.6	5.6
Share premium account	100.9	100.9
Other reserves	3.2	2.4
Retained earnings	46.2	43.2
Equity attributable to the owners of the parent	155.9	152.1

Unaudited consolidated statement of cash flows

For the year ended 31 December 2017

	Note	**Year ended 31 December 2017 £'m**	Year ended 31 December 2016 £'m
Net cash generated from operations	8	15.7	18.2
Net finance costs		(2.2)	(2.0)
Income taxes paid		(2.5)	(0.4)
Net cash generated from operating activities		11.0	15.8
Cash flows from investing activities			
Purchase of property, plant and equipment and applications software		(5.3)	(5.2)
Purchase of subsidiary undertakings, net of cash acquired		(5.6)	(82.6)
Purchase of trade and assets		(1.5)	-
Proceeds from sale of available for sale assets		0.1	29.9
Cash flows used in investing activities		(12.3)	(57.9)
Cash flows from financing activities			
Net proceeds from share issues		-	34.2
Dividends paid		(4.9)	(3.7)
Repayment of bank borrowings		(7.3)	-
Repayment of revolving credit facility		(9.0)	(2.5)
New bank loans raised		20.0	20.0
Finance lease repayments		(0.1)	(0.1)
Net cash (used in)/generated from financing activities		(1.3)	47.9
Net (decrease)/increase in cash and cash equivalents		(2.6)	5.8
Cash and cash equivalents at start of year		12.9	7.1
Cash and cash equivalents at end of year		10.3	12.9
Cash and cash equivalents shown above comprise:			
Cash at bank		10.7	13.4
Bank overdraft		(0.4)	(0.5)
		10.3	12.9

Notes to the unaudited preliminary financial information for the year ended 31 December 2017

1. BASIS OF PREPARATION

The figures for the year ended 31 December 2017 have been extracted from the unaudited statutory financial statements for the year that have yet to be delivered to the Registrar of Companies and on which the auditor has yet to issue an opinion. The financial information attached has been prepared in accordance with the recognition and measurement requirements of international financial reporting standards (IFRS) as adopted by the EU and international financial reporting interpretations committee (IFRIC) interpretations issued and effective at the time of preparing those financial statements. The accounting policies applied in the year ended 31 December 2017 are consistent with those applied in the financial statements for the year ended 31 December 2016.

The financial information for the years ended 31 December 2017 and 31 December 2016 does not constitute statutory financial information as defined in Section 434 of the Companies Act 2006 and does not contain all of the information required to be disclosed in a full set of IFRS financial statements. This announcement was approved by the Board of Directors and authorised for issue on 13 March 2018. The auditor's report on the financial statements for 31 December 2016 was unqualified, and did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and did not contain a statement under either Section 498 (2) or 498 (3) of the Companies Act 2006. The financial statements for the year ended 31 December 2016 have been delivered to the Registrar.

The Group is reliant on financing and meets its day to day working capital requirements through its bank facilities. The Group's budgets for 2018 and forecasts for 2019, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility.

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

2. SEGMENTAL ANALYSIS

The Group is organised into two main operating segments, Document Management and Relocation and incurs Head Office costs. Services per segment operate as described in the Chief Executive's Review. The main segmental profit measure is adjusted operating profit and is shown before exceptional items, share-based payments charge and amortisation of intangible assets. The vast majority of trading of the Group is undertaken within the United Kingdom. Segment assets include intangibles, property, plant and equipment, inventories, receivables and operating cash. Central assets include deferred tax and head office assets. Segment liabilities comprise operating liabilities. Central liabilities include income tax and deferred tax, corporate borrowings and head office liabilities. Capital expenditure comprises additions to computer software, property, plant and equipment and includes additions resulting from acquisitions through business combinations. Segment assets and liabilities are allocated between segments on an actual basis.

Revenue

The revenue from external customers was derived from the Group's principal activities primarily in the UK (where the Company is domiciled) as follows:

Continuing operations	**Document Management £'m**	**Relocation £'m**	**Head Office £'m**	**2017 Total £'m**
Revenue	126.9	49.3	-	176.2
Segment adjusted operating profit/(loss)	31.0	5.2	(2.5)	33.7
Exceptional items				(15.5)
Share-based payments charge				(0.6)
Amortisation of intangible assets				(5.4)
Operating profit				12.2
Finance costs				(2.5)
Profit before tax				9.7
Tax charge				(1.9)
Profit after tax				7.8
Segment assets	246.1	53.5	0.4	300.0
Segment liabilities	34.6	11.4	98.1	144.1
Capital expenditure	4.9	0.4	-	5.3
Depreciation and amortisation	10.6	0.8	-	11.4

Continuing operations	Document Management £'m	Relocation £'m	Head Office £'m	2016 Total £'m
Revenue	90.1	39.3	-	129.4
Segment adjusted operating profit/(loss)	22.0	4.5	(1.5)	25.0
Exceptional items				(10.3)
Share-based payments charge				(0.8)
Amortisation of intangible assets				(4.4)
Operating profit				9.5
Finance costs				(2.0)
Profit before tax				7.5
Tax credit				3.1
Profit after tax				10.6
Segment assets	249.8	40.5	4.1	294.4
Segment liabilities	43.1	10.9	88.3	142.3
Capital expenditure	5.0	0.2	-	5.2
Depreciation and amortisation	8.0	0.7	-	8.7

Major Customers

For the year ended 31 December 2017 no customers individually accounted for more than 4% (2016: 3%) of the Group's total revenue.

3. EXCEPTIONAL ITEMS

	2017 **£'m**	2016 £'m
Acquisition – transaction costs	0.5	1.2
Acquisition – box relocation and transport costs	0.5	0.4
Restructuring and redundancy costs	6.7	6.2
Other exceptional	7.8	2.5
Total	15.5	10.3

As part of the Group's strategy is to grow through acquisition it is essential that acquired businesses are restructured to integrate them fully into the Group's operations and deliver anticipated returns. In order to give a suitable representation of underlying earnings it is appropriate to show these costs as exceptional along with any other items which are exceptional in nature. In the year the Group has continued to integrate and restructure the PHS Data Solutions business in addition to the 7 smaller acquisitions made during the year.

Transaction costs include stamp duty costs and transitional service arrangement fees, in addition to the cost of legal and professional fees incurred as part of the acquisitions.
Box relocation and transport costs include the cost of uplifting boxes to existing facilities and the movement of boxes from facilities which closed as result of acquisitions. In the period the Group completed the closure of the Cintas Charlton site on schedule.
Restructuring and redundancy costs were £6.7m in 2017. As noted above these primarily relate to the PHS DS acquisition and include:

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

Other exceptional costs include £7.1m related to the cash settlement of a proportion of share options issued under the 2013 Executive Incentive Plan. As a result of this, 1,759,073 nil-cost options granted under the EIP were cancelled, thereby reducing the amount of ongoing share dilution. The executive directors used part of the cash settlement to fund the tax liability on the remainder of the options exercised.

4. TAXATION

	2017 £'m	2016 £'m
Current tax:		
UK corporation tax on profit for the year	1.9	0.3
Adjustment in respect of previous periods	-	(0.6)
Total current tax	1.9	(0.3)
Deferred tax:		
Current year	(0.9)	(1.9)
Adjustment in respect of previous periods	0.9	(0.9)
Total deferred tax	-	(2.8)
Total tax charge/(credit)	1.9	(3.1)

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

	2017 £'m	2016 £'m
Profit before tax	9.7	7.5
Profit before tax multiplied by the rate of corporation tax of 19.25% (2016: 20.0%)	1.9	1.5
Effects of:		
Expenses not deductible for tax purposes	0.3	0.8
Fixed asset differences	(0.6)	-
Tax losses not previously recognised	-	(0.8)
Share-based payments deduction	(0.8)	(2.6)
Effect of change in rate used for deferred tax	0.2	(0.5)
Adjustment in respect of corporation tax for previous periods	-	(0.6)
Adjustment in respect of deferred tax for previous periods	0.9	(0.9)
Tax charge/(credit)	1.9	(3.1)

5. EARNINGS PER ORDINARY SHARE

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

	2017	2016
Weighted average number of shares in issue	112,607,015	102,712,773
Total profit for the year	£7.8m	£18.3m
Total basic earnings per ordinary share (pence)	6.9p	17.8p
Weighted average number of shares in issue	112,607,015	102,712,773
Share options	3,448,077	5,454,143
Weighted average fully diluted number of shares in issue	116,055,092	108,166,916
Total fully diluted earnings per share (pence)	6.7p	16.9p
Continuing profit for the year	£7.8m	£10.6m
Continuing basic earnings per share (pence)	6.9p	10.3p
Continuing fully diluted earnings per share (pence)	6.7p	9.8p
Discontinued profit for the year	-	£7.7m
Discontinued basic earnings per share (pence)	-	7.5p
Discontinued fully diluted earnings per share (pence)	-	7.1p

Adjusted earnings per share

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

	2017 £'m	2016 £'m
Continuing profit before tax	9.7	7.5
Adjustments:		
Amortisation of intangible assets	5.4	4.4
Exceptional items	15.5	10.3
Share-based payments charge	0.6	0.8
Adjusted continuing profit for the year	31.2	23.0

The adjusted earnings per share, based on the weighted average number of shares in issue during the year, 112.6m (2016: 102.7m) is calculated below:

	2017	2016
Adjusted profit before tax (£'m)	31.2	23.0
Tax at 19.25%/20.0% (£'m)	(6.0)	(4.6)
Adjusted profit after tax (£'m)	25.2	18.4
Adjusted basic earnings per share (pence)	22.4p	17.9p
Adjusted fully diluted earnings per share (pence)	21.7p	17.0p

6. DIVIDENDS

In respect of the current year, the Directors propose a final dividend of 3.33p per share (2016: 2.67p) will be paid to ordinary shareholders on 6 July 2018. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. An interim dividend of 1.67p per share (2016: 1.33p) was paid during the year.

The proposed final dividend for 2017 is payable to all shareholders on the Register of Members on 8 June 2018. The final estimated dividend to be paid is £3.7m (2016: £3.0m).

7. BUSINESS COMBINATIONS

On 9 January 2017, the Group completed the acquisition of the trade and assets of Reisswolf Wales, a secure shredding business based in Welshpool for cash consideration of £0.8m. The provisional customer relationships acquired were £0.8m.

On 23 January 2017, the Group completed the acquisition of Bedfordshire based ID Secured Limited, trading as Reisswolf London for cash consideration £0.4m. Cash of £0.2m was acquired as part of the net assets and the provisional customer relationships acquired were £0.1m and goodwill £0.1m.

Deferred tax at 18% has been provided on the value of intangible assets. Acquisition costs of £17k were incurred and have been charged to profit or loss.

On 20 February 2017, the Group acquired The ITAD Works Limited, a Surrey based IT recycling company, for cash consideration of £1.9m. Cash of £0.6m was acquired as part of the net assets and the provisional customer relationships acquired were £0.4m and goodwill £0.8m.

Deferred tax at 18% has been provided on the value of intangible assets. Acquisition costs of £37k were incurred and have been charged to profit or loss.

On 7 March 2017, the Group acquired the remaining 17% share in Relocom Limited for cash consideration of £0.4m.

On 11 July 2017, the Group acquired the shredding activities of Banner group for cash consideration of £0.3m. The provisional customer relationships acquired were £0.3m.

On 31 July 2017, the Group acquired the trade and assets of Solutions for Archiving, a Dorset based Records management business for cash consideration of £0.4m. The provisional customer relationships acquired were £0.4m.

On 14 August 2017, the Group acquired Baxter Confidential Limited, a shredding business for cash consideration of £1.4m. Cash of £0.1m was acquired as part of the net assets and the provisional customer relationships acquired were £0.6m and goodwill £1.0m.

On 8 September 2017, the Group acquired Lombard Recycling Limited and Datashred Limited (together Lombard) for cash consideration of £2.4m. The provisional customer relationships acquired were £1.1m and goodwill £1.3m.

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

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

	ID Secured £'m	The ITAD Works £'m	Baxter Confidential £'m	Lombard £'m
Intangibles assets - customer relationships	0.1	0.4	0.6	1.1
Property plant and equipment	0.1	0.1	-	0.1
Inventories	-	0.1	-	0.1
Trade receivables	0.4	0.5	0.2	0.1
Cash	0.2	0.6	0.1	-
Trade and other payables	(0.5)	(0.5)	(0.4)	(0.1)
Deferred tax liabilities	-	(0.1)	(0.1)	(0.2)
Net assets acquired	0.3	1.1	0.4	1.1
Goodwill	0.1	0.8	1.0	1.3
Consideration	0.4	1.9	1.4	2.4
Satisfied by: cash to vendors	0.4	1.9	1.4	2.4

In 2016, the fair value of assets acquired as part of the PHS acquisition were shown as provisional in order that management have further opportunity to revisit some of the key adjustments made in assessing the assets acquired. During the year a re-assessment of these was undertaken resulting in an adjustment of £1.1m, primarily in respect of an increase in a dilapidations provision for 34 acquired sites, increasing the goodwill on acquisition.

Other financial liabilities include £0.3m (2016: £0.4m) in respect of the contingent consideration in respect of Crimson UK Limited, of which £0.2m is due after more than one year (2016: £0.3m).

Post acquisition results

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

	£'m
Revenue	8.3
Profit before tax since acquisition included in the Consolidated statement of comprehensive income	0.4

If the acquisitions had been completed on the first day of the financial year, Group revenue would have been £178.5m and Group continuing profit before tax would have been £9.9m.

The acquisitions made during the year were to further extend national coverage, increase customers and sites and increase the Group's market share.

8. CASH INFLOW FROM OPERATIONS

	2017 **£'m**	2016 £'m
Continuing operations		
Profit before tax	9.7	7.5
Depreciation of property, plant and equipment	6.0	4.3
Amortisation of intangible assets	5.4	4.4
Net finance costs	2.5	2.0
Share-based payments charge	0.6	0.8
Share-based payments charge on cash settled options	7.2	-
Cash settlement of options	(7.9)	-
Gain on disposal of plant, property and equipment	-	0.8
Decrease in inventories	0.3	0.2
Increase in trade and other receivables	(4.0)	(5.1)
(Decrease)/increase in trade and other payables	(4.1)	3.1
Net cash generated from continuing operations	15.7	18.0
Discontinued operations		
Profit before tax	-	7.7
Depreciation of property, plant and equipment	-	0.1
Profit on disposal of available for sale assets	-	(7.6)
Net cash generated from discontinued operations	-	0.2
Net cash generated from operations	15.7	18.2

9. POST BALANCE SHEET EVENTS

On 3 January 2018, the Group completed the acquisition of the trading assets of Scanning Direct for £0.1m. On 9 January 2018, the Group completed the acquisition of the trade and assets of Papershrink Limited, a scanning business for £0.2m.