18 March 2019

RESTORE PLC

Full Year Unaudited Results 2018

Restore plc ("Restore" or "the Group"), the UK office services provider, announces its unaudited results for the year ended 31 December 2018.

Financial Highlights:

ADJUSTED RESULTS - Continuing operations	2018	2017	Change
Revenue	£195.5m	£172.0m	14%
EBITDA*	£48.2m	£39.8m	21%
Operating profit*	£41.3m	£33.8m	22%
Profit before tax*	£37.5m	£31.3m	20%
Earnings per share - basic **	25.2p	22.5p	12%
Dividend per share	6.0p	5.0p	20%
Net debt	£111.3m	£78.2m	

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

STATUTORY RESULTS - Continuing operations		
Revenue	£195.5m	£172.0m
Operating profit	£24.8m	£12.4m
Profit before tax	£21.0m	£9.9m
Earnings per share - basic	13.0p	6.9p

Summary:

- Group revenue up 14% to £195.5m
- Group adjusted profit before tax up 20% to £37.5m
- Adjusted basic earnings per share up 12% to 25.2p
- Document Management revenue up 16% to £147.6m, operating profit up 24% to £38.5m
    - includes contribution of TNT BS acquisition with integration on track and Restore's position in the public sector materially strengthened
- Relocation revenue up 6% to £47.9m, operating profit up 9% to £5.8m
- Sale of ITP Group Holdings Limited completed post period end, focusing Restore Technology on core IT hardware lifecycle management activities
- Total dividend up 20% to 6.0p per share

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

"We are pleased to report another strong performance in 2018, with a ninth successive year of double-digit growth in earnings per share.

The acquisition of TNT Business Solutions has provided the Group with significant additional growth opportunities, particularly in the public sector, where many entities still undertake records management and other services we provide in-house.

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

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

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Chairman's Introduction 2018

Overview

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

Results

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

Strategy

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

Health and Safety

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

Board Changes

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

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

People

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

Dividends

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

Chief Executive's Statement 2018

Results

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

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

Document Management Division

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

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

A key indicator of growth is annual net box growth, which continued to remain positive despite higher than average destruction and removal rates in the course of the year. We attribute this to the General Data Protection Regulation, introduced in May, which encouraged many of our customers to review their criteria for storing documents. We believe this resulted in a certain volume of destructions which are one-off and unlikely to repeat. The box intake from two major business wins secured in 2018 is on track to arrive within the first half of 2019, such that net box growth can be expected to improve in the current year.

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

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

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

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

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

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

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

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

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

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

Relocation Division

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

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

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

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

Outlook

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

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

FINANCE DIRECTOR'S REPORT

Profit Before Tax

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

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

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

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

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

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

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

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

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

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

Earnings Per Share (Eps)

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

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

Exceptional Costs

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

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

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

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

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

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

Interest

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

Taxation

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

Cash Flow

Net cash inflow from operations increased by 106% to £32.4 million (2017: £15.7 million). Despite the significant year on year increase the performance is suppressed by cash outflows related to acquisition activity which could be considered investment costs by nature. These include:
- £7.0 million cash impact of exceptional costs noted above which are directly related to completion of acquisitions and subsequent restructuring
- £2.4 million working capital outflow related to the acquisition of TNT BS. The transaction was structured as an asset purchase so the consideration was adjusted by the level of working capital investment required post completion.

Net working capital usage in the year totalled £7.1 million with the most notable movements being:
- £2.4 million of working capital on the TNT BS acquisition already highlighted
- Movement on long term provisions of £1.1 million
- Growth related working capital estimated at £1.1 million
- Timing differences on accruals of £1.5 million.

Capital expenditure in 2018 totalled £10.1 million (2017: £5.3 million). In addition to the continued investment in the records management business and maintenance capex in the digital and shredding businesses the Group made significant investments in several areas in 2018 with a view to increasing the scale and capability of its operations. Most notably:
- £2.0 million in Restore Datashred on two new sites in London and Scotland
- £0.5 million on a new facility for Restore Technology in Bedford
- £0.4 million on a new facility and a refurbishment of an existing facility for Restore Harrow Green in London.

Statement of Financial Position

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

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

Net Debt

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

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

IFRS 16

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

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

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

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

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

Unaudited Consolidated statement of comprehensive income

For the year ended 31 December 2018

	Note	**Year ended 31 December 2018 £'m**	Year ended 31 December 2017 £'m
Revenue – continuing operations	2	195.5	172.0
Cost of sales		(111.5)	(105.3)
Gross profit		84.0	66.7
Administrative expenses		(43.7)	(33.5)
Amortisation of intangible assets		(7.0)	(5.3)
Exceptional items	3	(8.5)	(15.5)
Operating profit		24.8	12.4
Finance costs		(3.8)	(2.5)
Profit before tax		21.0	9.9
Income tax charge	4	(2.5)	(1.9)
Profit and total comprehensive income for the year from continuing operations		18.5	8.0
Loss from discontinued operations	2	(2.8)	(0.2)
Attributable to owners of the parent		15.7	7.8
Earnings/(loss) per share attributable to owners of the parent (pence)	5		
Total – basic		13.0p	6.9p
Total – diluted		12.5p	6.7p
Continuing operations – basic		15.3p	7.1p
Continuing operations – diluted		14.7p	6.9p
Discontinued operations – basic		(2.3p)	(0.2p)
Discontinued operations – diluted		(2.2p)	(0.2p)

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

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

Unaudited Consolidated statement of financial position

As at 31 December 2018

	Note	**2018 £'m**	2017 £'m
ASSETS			
Non-current assets			
Intangible assets		261.9	193.9
Property, plant and equipment		71.1	46.1
Deferred tax asset		2.5	3.9
		335.5	243.9
Current assets			
Inventories		1.1	2.0
Trade and other receivables		48.7	43.4
Cash and cash equivalents		11.7	10.7
		61.5	56.1
Assets held directly for sale	9	1.8	-
Total assets		398.8	300.0
LIABILITIES			
Current liabilities			
Trade and other payables		(33.3)	(33.5)
Financial liabilities – borrowings		(0.8)	(9.4)
Other financial liabilities		(0.2)	(0.1)
Current tax liabilities		(2.4)	(0.9)
Provisions		(0.9)	(1.5)
		(37.6)	(45.4)
Liabilities associated with assets held for sale	9	(0.2)	-
Non-current liabilities			
Financial liabilities – borrowings		(122.2)	(79.5)
Other long term liabilities		-	(0.1)
Other financial liabilities		(0.1)	(0.2)
Deferred tax liability		(17.6)	(13.3)
Provisions		(5.1)	(5.6)
		(145.0)	(98.7)
Total liabilities		(182.8)	(144.1)
Net assets		216.0	155.9
EQUITY			
Share capital		6.2	5.6
Share premium account		150.3	100.9
Other reserves		3.8	3.2
Retained earnings		55.7	46.2
Equity attributable to the owners of the parent		216.0	155.9

Unaudited Consolidated statement of changes in equity

For the year ended 31 December 2018

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

Unaudited Consolidated statement of cash flows

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 £'m	Year ended 31 December 2017 £'m
Net cash generated from operations	8	32.4	15.7
Net finance costs		(3.6)	(2.2)
Income taxes paid		(3.2)	(2.5)
Net cash generated from operating activities		25.6	11.0
Cash flows from investing activities			
Purchase of property, plant and equipment and applications software		(10.1)	(5.3)
Purchase of subsidiary undertakings, net of cash acquired		(4.0)	(5.6)
Purchase of trade and assets		(88.5)	(1.5)
Proceeds from sale of property, plant and equipment		0.9	0.1
Cash flows used in investing activities		(101.7)	(12.3)
Cash flows from financing activities			
Net proceeds from share issues		50.0	-
Dividends paid		(6.6)	(4.9)
Repayment of bank borrowings		(2.3)	(7.3)
Repayment of revolving credit facility		(8.0)	(9.0)
New bank loans raised		44.0	20.0
Finance lease repayments		(0.1)	(0.1)
Net cash generated by/(used in) financing activities		77.0	(1.3)
Net increase/(decrease) in cash and cash equivalents		0.9	(2.6)
Cash and cash equivalents at start of year		10.3	12.9
Cash and cash equivalents at end of year		11.2	10.3
Cash and cash equivalents shown above comprise:			
Cash at bank		11.7	10.7
Bank overdraft		(0.8)	(0.4)
Assets held as classified for sale		0.3	-
		11.2	10.3

Notes to the unaudited preliminary financial information for the year ended 31 December 2018

1. Basis of preparation

The figures for the year ended 31 December 2018 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 financial information for the years ended 31 December 2018 and 31 December 2017 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 18 March 2019. The auditor's report on the financial statements for 31 December 2017 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 2017 have been delivered to the Registrar.

The financial statements for the year ended 31 December 2018 will be delivered to the Registrar & Companies and made available to shareholders in due course.

These financial statements are presented in sterling with all values rounded to the nearest 0.1 million pounds (£'m) except where otherwise indicated.

The accounting policies are consistent with those of the previous year with exception of the following new standards which apply for the first time in 2018:

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

The current contract terms and business practices were reconsidered, and it has been concluded that the new standard did not have an impact on the timing of the recognition of revenue and that no restatement was required.

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

The Group is reliant on financing and meets its day to day working capital requirements through its bank facilities. The Group's budgets for 2019 and forecasts for 2020, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility.

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

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 Strategic report. The vast majority of trading of the Group is undertaken within the United Kingdom. Segment assets include intangibles, property, plant and equipment, inventories, receivables and operating cash. Central assets include deferred tax and head office assets. Segment liabilities comprise operating liabilities. Central liabilities include income tax and deferred tax, corporate borrowings and head office liabilities. Capital expenditure comprises additions to computer software, property, plant and equipment and includes additions resulting from acquisitions through business combinations. Segment assets and liabilities are allocated between segments on an actual basis.

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

	2018 £'m	2017 £'m
Continuing operations		
Restore Records Management	86.5	68.9
Restore Datashred	41.8	39.4
Restore Digital	19.3	18.6
Document Management division	147.6	126.9
Restore Harrow Green	37.6	35.5
Restore Technology	10.3	9.6
Relocation division	47.9	45.1
Total revenue	195.5	172.0

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

Segmental information

	Document Management £'m	**Relocation £'m**	**Head Office £'m**	**2018 Total £'m**
Segment assets	335.1	61.2	2.5	398.8
Segment liabilities	41.6	12.4	128.8	182.8
Capital expenditure	8.8	1.1	0.2	10.1
Depreciation and amortisation	13.2	0.7	-	13.9

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

Discontinued Operations	**Year ended 31 December 2018**	Year ended 31 December 2017
Revenue	4.2	4.2
Operating loss	0.3	-
Impairment and amortisation of intangible assets	2.5	0.2
Loss before tax	2.8	0.2
Tax charge	-	-
Loss for the year from discontinued operations	2.8	0.2

ITP Group Holdings Limited (ITP) has been shown as a discontinued operation (note 9). Operating activities used £0.3m (2017: £0.1m) of cash in the year. There were no cash flows from investing or financing activities.

3. Exceptional Items

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

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

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

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

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

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

4. Taxation

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

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

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

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.

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

Adjusted earnings per share

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

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

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

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

6. Dividends

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

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

7. Business Combinations

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

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

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

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

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

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

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

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

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

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

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

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

If the acquisitions had been completed on the first day of the financial year, Group revenue would have been £207.3m and Group continuing profit before tax would have been £20.9m. As explained in note 3, following the acquisitions a number of restructuring costs are incurred, and after this post acquisition restructuring the acquisitions have a positive impact on Group profit before tax.

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

8. Cash Inflow from Operations

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

9. Post Balance Sheet Events

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

The assets and liabilities related to ITP Group Holdings Limited (ITP) have been presented as held for sale (note 2).

Assets classified as held for sale	**2018 £'m**	2017 £'m
Property plant and equipment	0.1	-
Other current assets	1.4	-
Cash	0.3	-
	1.8	-
Liabilities classified as held for sale		
Trade and other payables	0.2	-

The Group will be represented on Ink and Toner's board and will account for the investment as a minority interest.