11 September 2017

RESTORE PLC

Half Year Results 2017

Restore plc ("Restore" or "the Company"), the UK office services provider, announces its unaudited half year results for the six month period ended 30 June 2017.

Financial Highlights:

ADJUSTED RESULTS – Continuing operations	HY 2017	HY 2016	% Change
Revenue (£m)	86.9	55.4	57%
EBITDA (£m)*	19.5	12.3	59%
Operating profit (£m)*	16.5	10.5	57%
Profit before tax (£m) *	15.3	9.6	59%
Earnings per share**	10.9	7.9	38%
Dividend per share (p)	1.67	1.33	26%
Net debt (£m)	76.9	29.3	

** Before amortisation of intangible assets, exceptional items (including exceptional finance costs), share based payments charge and other finance costs*
*** Calculated based on the weighted average shares in issue and a standard tax charge*

STATUTORY RESULTS	HY 2017	HY 2016
Operating profit (£m)	1.3	4.5
Profit before tax (£m)	0.1	3.7
Basic earnings per share (p)	0.0	3.8

Summary:

- Group revenue up 57% to £86.9m
- Document Management revenue up 74%; operating profit up 63%
- Relocations revenue up 21%; operating profit up 18%
- Group adjusted profit before tax up 59% to £15.3m
- Adjusted earnings per share up 38% to 10.9p
- Good organic growth across both divisions
- PHS Data Solutions successfully integrated
- Restore Datashred performance ahead of expectations
- 7 acquisitions completed since the start of the year
- Interim dividend per share up 26% to 1.67p
- Banking facilities increased and extended

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

"We continued to make good operational and financial progress in the first half. In particular we delivered strong organic growth across the Group and our shredding business, which was significantly enlarged by the major acquisition in 2016, performed better than expected.

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.

The second half has started well and the Board expects to deliver a full year performance slightly ahead of its previous expectations."

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CHIEF EXECUTIVE'S REVIEW

SUMMARY

Restore continued its strong growth in turnover, profit and earnings per share in the first half of 2017. Revenues were £86.9m, an increase of 57%. Adjusted profit before tax increased 59% to £15.3m and adjusted earnings per share increased 38% to 10.9p. Much of the strength of these year-on-year comparatives reflect the impact of the acquisition of PHS Data Solutions ("PHS DS") in August 2016. Organic growth across the business was 7.7%. On an unadjusted basis, there was a profit before tax of £0.1m, reflecting the accounting recognition of £11.9m of exceptional items relating to the Group Executive Incentive Plan ("EIP") and restructuring costs from the PHS DS acquisition.

During the period, our Document Management division traded well, with operating profit of £15.8m (2016: £9.7m) on turnover of £64.8m (2016: £37.2m). The core records management business continued to account for the majority of revenue and operating profit, with its financial performance benefiting from a secure base of recurring revenues, good margins and steady growth, and a strong initial contribution from the records management activities of PHS DS. Net box growth in the core business remained positive and we continue to expect further margin improvement. Our shredding activities, now trading as Restore Datashred, were transformed by the acquisition of PHS DS, whose Datashred business was significantly larger than our existing shredding activities. Scale is critical in a route-based activity such as shredding and Restore Datashred is now comfortably one of the two leading operators in the UK. It traded strongly in the period, despite the operational complexity of completing the migration from the operating systems of the former PHS Group, with both revenue and operating profit ahead of our expectations. Restore Scan performed well in the period and successfully executed its major seasonal contract of scanning exam papers. It also benefited from the acquisition of PHS DS, which had a sizeable scanning business that has now been fully integrated into Restore Scan.

Our Relocation division traded well overall in the first half. The division's revenue in the period was £22.1m (2016: £18.2m) and operating profit was £2.0m (2016: £1.7m) in what is its seasonally weaker half. Harrow Green, which comprises the majority of the division's activities, delivered good year-on-year growth, with the London region performing particularly well. Relocom, our IT relocation business, traded satisfactorily. Our IT recycling activities, IT Efficient, grew significantly following the acquisition of The ITAD Works in February, and performed better than expected. Following a difficult year in 2016, particularly in the second half, ITP, our toner cartridge recycler, showed improvement and traded profitably during the period.

Since the beginning of the year we have made several small acquisitions, all in our existing areas of activity. These were:

- Shredding business, Reisswolf Wales, Border Counties & Merseyside, in January
- Shredding business, ID Secured, trading as Reisswolf London, also in January
- IT recycling business, The ITAD Works, based in Surrey, in February
- Records management business, Solutions for Archiving, based in Dorset in July
- The shredding activities across the UK of Banner Group in July
- Shredding business, Baxter Confidential, based in Hampshire, also in August
- Shredding business Lombard, based in London, announced today.

While the combined acquisition cost of these businesses was less than £10m, they are all expected to provide an attractive return on invested capital and reflect our ability to grow our core businesses steadily through smaller acquisitions alongside organic growth.

RESULTS

Adjusted operating profit for the six months to 30 June 2017 before exceptional items, amortisation and share based payments was £16.5m (2016: £10.5m). Adjusted profit before tax, before exceptional items, amortisation, share based payments and other finance costs was £15.3m (2016: £9.6m) on sales of £86.9m (2016: £55.4m). Adjusted earnings per share for the period were 10.9p (2016: 7.9p).

On an unadjusted basis operating profit was £1.3m (2016: £4.5m) and profit before tax was £0.1m (2016: profit £3.7m). Unadjusted earnings per share were 0.0p (2016: 3.8p) for continuing operations. Exceptional items in the period were £11.9m. £7.1m comprised a payment on the Group EIP scheme; settling the majority of the scheme in cash rather than shares was considered preferable by the Board to reduce the dilutive impact of settling the amount wholly in shares. Restructuring and redundancy costs primarily related to the rationalisation of the PHS DS acquisition amounted to £3.7m. Given the smaller scale of acquisitions subsequent to the PHS DS transaction, such exceptional costs will fall sharply in the second half of 2017.

DOCUMENT MANAGEMENT

Our Document Management division comprises our records management, shredding and scanning businesses. All three businesses and the Relocations division share a similar customer base. A key factor in the development of the Group has been maintaining the same customer relationship management system for all of our businesses to ensure that all appropriate services that we supply are offered to all existing and potential customers across the Group.

For the period the division achieved an adjusted operating profit of £15.8m (2016: £9.7m) on turnover of £64.8m (2016: £37.2m). Organic growth in the period was approximately 6.6%.

Records Management

Our core records management business continued to trade robustly. Much of the operational focus in the period continued to be on the integration of recent acquisitions, most notably the records management operations of PHS DS. As part of this programme, we completed the exit from a PHS DS site in Bristol, with many of its records transferring to our underground freehold site in Monkton Farleigh near Bath, and we are in the process of vacating another PHS DS site in Leyton, East London, with the records transferring to existing sites nearby.

The ongoing rationalisation and development of our storage sites remains a key contributor to improving the financial and operational performance of our records management business. We have now completed the move from the Charlton site that was acquired as part of the Cintas acquisition; this has involved moving 600,000 boxes over a two-year-period. We have continued to develop our low-cost underground freehold site in Monkton Farleigh where the latest, and probably last, sizeable development has now come on stream. We are reviewing our long-term property needs and expect to continue to make significant changes to our property portfolio, particularly in the South East, to increase the efficiency of our sites and reduce the impact on our customers of increasing rental costs.

The benefits of scale in the records management sector are significant. We have consistently improved margins in acquired businesses, including the records management business of PHS DS. This is achieved through operational synergies, particularly in improving capacity utilisation, through a combination of closing unsuitable sites when leases expire and directing box growth into underutilised sites. Current occupancy rates are comfortably above 90%, with sufficient spare capacity for short-term growth whilst we steadily reposition our property portfolio for the longer term.

Overall net box growth was positive during the period but was, as previously indicated, below our usual rate of increase, reflecting major customer exits from previously acquired businesses that were anticipated at the time of acquisition. Generally, the established trends in box growth remain constant: we receive substantially more boxes from existing customers than are destroyed and new business exceeds customer erosion. We expect these patterns to continue, leading to steady organic growth in revenues over time.

Following the acquisition of significant UK records management businesses in each of the last three years, we are now established as the second largest records management business in the UK with revenues that we estimate to be more than three times those of the next largest operator. Records management is an attractive business with strong operating margins and earnings visibility, as well as high barriers to entry. Our business continues to represent an excellent platform for growth. Although there are now fewer opportunities to acquire major competitors, we expect to continue to make acquisitions in this business to further consolidate this market.

Shredding

Restore Datashred, our secure shredding and recycling business, traded strongly in the period. We had previously lacked the critical mass to generate an appropriate contribution from these activities. The acquisition of PHS DS brought Datashred into our Group and enabled us to fold our previous shredding business into it. We benefited from the strong ongoing performance of the Datashred business and its management team and the significant cost synergies realised upon its integration. The combined business is now one of the two major shredding businesses in the UK and is generating good operating margins which we expect to benefit from continued economies of scale.

Organic growth in Restore Datashred was in double digits. This partly reflected a stronger price for recycled paper (which accounts for approximately 30% of revenues), but also a strong new business sales performance by Restore Datashred, together with good underlying growth in the overall market. UK businesses, particularly SMEs, as well as the public sector, are continuing to recognise the importance of secure shredding. We expect this to be further enhanced by the scheduled introduction of the General Data Protection Regulation ("GDPR") in May 2018 and expect compliance with GDPR to also have a favourable impact on our records management and scanning activities.

Since the acquisition of PHS DS, we have closed or are in the process of closing all of the former Restore Shred sites and have moved their activities to Datashred sites. We have taken the same approach with the two Reisswolf acquisitions made earlier in the year. Further, the acquisition in August 2017 of the shredding activities of Baxter Confidential in Hampshire has strengthened our network in Southern England and we now operate from 14 sites across the UK. We are currently developing a major new site in Crayford, South East London, for occupancy in 2018 that will give us significant additional capacity and we will integrate the recently acquired Lombard business into it in due course.

The UK shredding market remains fragmented. In a route-based business where the key metric is revenue generated per collection vehicle, scale has considerable advantages: vehicles can collect from more sites in the same area and can provide consistent and increased volumes for local processing plants. We have seen significant and rapidly-realised synergy benefits from rolling our existing shredding operations and acquired businesses into Datashred. Restore Datashred is also benefiting from access to the wider Restore group customer base and the enlarged business provides the Group with an excellent platform for the ongoing consolidation of the UK shredding market.

Scanning

Restore Scan, our document scanning business, traded well during the period, recording double-digit organic growth and increased operating margins. The management team has undergone significant change over the last eighteen months and the results reflect the strengthening of the business. The scanning activities of PHS DS have been fully integrated into Restore Scan and have increased both the critical mass of the business and the breadth of its offering. We believe we now have the scale to carry the overhead that is required to become a UK market leader in document digitisation.

We successfully executed our major seasonal contract for scanning exam papers in May and June and this contract has now been extended for another 3 to 5 years. We have continued to work on several major projects with NHS Trusts, where we are typically digitising patients' records over a number of years, and to develop our on-site capabilities, where we operate on the premises of customers such as the Nuclear Decommissioning Authority and several large insurance companies. We also executed a major one-off project for a central government department during the period.

During the period we merged the PHS DS scanning facility in Birmingham into our Redditch site and we are undertaking a similar process whereby the activities of the PHS DS East London site are moving to our facility in South West London. We also moved out of administrative offices in the City of London. Excluding our on-site facilities and temporary facilities for specific projects, we now operate from 6 sites across mainland Britain.

Following the PHS DS integration, we have a wide range of services to meet the diverse and demanding requirements of our enlarged customer base. These services range from traditional bureau activities where we digitise documents through high-volume scanning practices to digital consultancy, support and hosting. We believe we are well-positioned to capture significant market share in this evolving business sector.

RELOCATION

Our Relocation division predominantly comprises Harrow Green, the UK market leader in office relocation. Global Moving Solutions, an international removal service typically servicing professional staff being relocated internationally, is part of Harrow Green. The division also includes Relocom, our IT relocation business, Restore

IT Efficient, our IT asset disposal and recycling business, which was recently enhanced by the acquisition of The ITAD Works, and ITP Group, the UK's leading empty printing cartridge collector.

During the period, which is the seasonally weaker half of the year for Harrow Green, the division recorded an adjusted operating profit of £2.0m (2016: £1.7m) on turnover of £22.1m (2016: £18.2m). Organic growth across the division was 11.5%, with our IT recycling business performing particularly well.

Harrow Green traded well with London showing particularly strong year-on-year growth in both revenues and operating margins. There were several large projects during the period and steady demand from our regular corporate customers. We won a further element of the multi-year contract providing services to the Ministry of Defence and this has now started. Relocom, our IT relocation business, traded satisfactorily.

Following on from a strong previous year, IT Efficient has shown further growth. Its performance was enhanced by the acquisition in February of The ITAD Works based in Surrey, which has exceeded our expectations at the time of acquisition. We entered the IT recycling market through the acquisition of IT Efficient four years ago as a complementary activity that fitted very well with the rest of the Group's services. The business has developed significantly in that period and is now well-positioned in a market which remains at an early stage in its development. ITP traded poorly in 2016 in a tough global market for cartridge re-selling, but it is showing improvement and made a small contribution during the period.

GROUP

Central costs for the period were £1.3m, representing 1.5% of Group revenues.

EXCEPTIONAL COSTS

Exceptional costs in the first six months of 2017 were £11.9m (2016: £4.9m). The bulk of these costs were represented by the settlement of a proportion of the share options issued under the 2013 Executive Incentive Plan in cash (£7.1m), and restructuring pursuant to acquisitions, primarily, PHS DS of £3.7m. The restructuring as a result of the PHS DS acquisition is largely complete. Further details on exceptional costs can be found in note 2.

BALANCE SHEET

Net bank debt on 30 June 2017 was £76.9m (30 June 2016: £29.3m). The year on year movement is primarily a result of the PHS DS acquisition in August 2016. Net debt has increased £4.6m since 31 December 2016 due to the exceptional costs, which have more than offset cash contribution from underlying trading. Property, plant and equipment values broadly compare with those at 31 December 2016. Current assets and current liabilities, excluding cash, financial liabilities and tax, have both increased year on year due to the increased scale of the business as a result of acquisitions, most notably PHS DS. Movements in current assets and liabilities since 31 December 2016 have been less notable but are again driven by acquisitions. There have been no significant movements to long term provisions, tax or deferred tax balances since 31 December 2016.

CASH FLOW

The net cash generated from operations was £3.1m (2016: £6.0m). The reduction has been driven by the cash outflow resulting from the exceptional costs previously noted. The working capital outflow of £3.7m reflects a partial unwind of the particularly strong end to 2016, organic growth, and 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 H2 2017. These movements have been partially offset by favourable movements on trade payables. Capital expenditure totalled £2.3m (2016: £1.9m) compared to depreciation of £3.0m (2016: £1.8m). This includes £1.0m of continued investment in our storage facilities and £1.2m of investment in our shredding business. Net bank interest paid amounted to £1.1m (2016: £1.0m) and tax paid totalled £1.4m (2016: £0.9m).

BANK FACILITIES

We are pleased to announce that the Group has agreed an extension to its bank facilities with its lenders. The new arrangement will extend the existing facilities through to November 2022 and in addition will provide 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 for the foreseeable future.

DIVIDENDS

The Board has declared an interim dividend of 1.67p per share (2016: 1.33p), a 26% year-on-year increase. The interim dividend will be paid on 10 November 2017 to shareholders on the register on 13 October 2017. The company paid its first interim dividend in 2012 of 0.4p and the increased interim dividend is in line with the Board's intention to follow a progressive dividend policy.

PEOPLE

In a business which has grown as fast as Restore, there is a lot of change. We are very fortunate that the people who work in our business have embraced these changes and had the passion and flexibility to use change as a force for success. The integration of PHS DS over the last year has been an example of this and I am delighted how quickly the PHS DS team has fitted into the Restore team.

We are now of a scale to provide clear career development programmes and paths for our people to help them make the most of their working lives. I look forward to seeing many of our people being equipped to take on larger challenges and furthering their careers, particularly within the Restore group.

As ever, our business is predicated on the energy, professionalism and effectiveness of our people. I thank them for their hard work in achieving the strong performance these results reflect.

OUTLOOK

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.

The second half period has started well and the Board expects to deliver a full year performance slightly ahead of its previous expectations.

Charles Skinner

Chief Executive 11 September 2017

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

	Note	Unaudited six months ended 30 June 2017 £'m	Unaudited six months ended 30 June 2016 £'m	Audited year ended 31 December 2016 £'m
Revenue	2	86.9	55.4	129.4
Cost of sales		(50.8)	(35.3)	(81.6)
Gross profit		36.1	20.1	47.8
Administrative expenses		(22.9)	(10.7)	(28.0)
Exceptional items - operating costs	2	(11.9)	(4.9)	(10.3)
Total operating costs		(34.8)	(15.6)	(38.3)
Operating profit	2	1.3	4.5	9.5
Finance costs		(1.2)	(0.8)	(2.0)
Profit before tax		0.1	3.7	7.5
Income tax (charge) / credit	3	(0.1)	-	3.1
Profit and total comprehensive income for the period from continuing operations		-	3.7	10.6
Profit from discontinued operations		-	9.3	7.7
Profit attributable to owners of the parent		-	13.0	18.3
(Loss)/ earnings per share attributable to owners of the parent (pence)				
Total				
- Basic	4	0.0p	13.4p	17.8p
- Diluted	4	0.0p	13.3p	16.9p
Continuing operations				
- Basic	4	0.0p	3.8p	10.3p
- Diluted	4	0.0p	3.8p	9.8p
Discontinued operations				
- Basic	4	-	9.6p	7.5p
- Diluted	4	-	9.5p	7.1p

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 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 period	-	-	-	13.0	13.0
Total comprehensive income for the period	-	-	-	13.0	13.0
Transactions with owners					
Issue of shares in the period	0.2	-	-	-	0.2
Dividends	-	-	-	(2.2)	(2.2)
Transfers	-	-	(0.8)	0.8	-
Share-based payments charge	-	-	0.3	-	0.3
Deferred tax on share-based payments	-	-	(2.5)	-	(2.5)
Balance at 30 June 2016 (unaudited)	5.0	67.5	1.7	39.3	113.5
Balance at 1 July 2016	5.0	67.5	1.7	39.3	113.5
Profit for the period	-	-	-	5.3	5.3
Total comprehensive income for the period	-	-	-	5.3	5.3
Transactions with owners					
Issue of shares during the period	0.6	34.6	-	-	35.2
Issue costs	-	(1.2)	-	-	(1.2)
Dividends	-	-	-	(1.5)	(1.5)
Transfers	-	-	(0.1)	0.1	-
Share-based payments charge	-	-	0.5	-	0.5
Deferred tax on share-based payments	-	-	0.3	-	0.3
Balance at 31 December 2016 (audited)	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 period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-
Transactions with owners					
Dividends	-	-	-	(3.0)	(3.0)
Transfers	-	-	(0.3)	0.3	-
Share-based payments charge	-	-	0.3	-	0.3
Cash settlement of EIP options	-	-	(0.8)	-	(0.8)
Deferred tax on share-based payments	-	-	0.2	-	0.2
Negative equity in minority interest (note 6)	-	-	-	(0.3)	(0.3)
Balance at 30 June 2017 (unaudited)	5.6	100.9	1.8	40.2	148.5

Condensed Consolidated Statement of Financial Position
At 30 June 2017

	Note	Unaudited 30 June 2017	Unaudited 30 June 2016	Audited 31 December 2016
		£'m	£'m	£'m
Assets				
Non-current assets				
Intangible assets	8	191.0	117.7	190.3
Property, plant and equipment		46.8	37.2	47.6
Deferred tax asset		3.0	1.9	2.8
		240.8	156.8	240.7
Current assets				
Inventories		1.7	1.7	1.9
Trade and other receivables		43.9	32.3	38.4
Cash and cash equivalents	9	15.4	20.0	12.9
		61.0	54.0	53.2
Total assets		301.8	210.8	293.9
Liabilities				
Current liabilities				
Trade and other payables		(39.6)	(28.5)	(34.3)
Financial liabilities - borrowings	9	(6.9)	(5.3)	(6.8)
Other financial liabilities		(0.2)	(0.1)	(0.1)
Current tax liabilities		(0.2)	-	(1.5)
Provisions		(0.9)	(0.9)	(1.0)
		(47.8)	(34.8)	(43.7)
Non-current liabilities				
Financial liabilities - borrowings	9	(85.4)	(44.0)	(78.4)
Other long term liabilities		(0.1)	-	(0.2)
Other financial liabilities		(0.2)	(0.2)	(0.3)
Deferred tax liabilities		(13.3)	(12.0)	(13.2)
Provisions		(6.5)	(6.3)	(6.0)
		(105.5)	(62.5)	(98.1)
Total liabilities		(153.3)	(97.3)	(141.8)
Net assets		148.5	113.5	152.1
Equity				
Share capital		5.6	5.0	5.6
Share premium account		100.9	67.5	100.9
Other reserves		1.8	1.7	2.4
Retained earnings		40.2	39.3	43.2
Equity attributable to owners of parent		148.5	113.5	152.1

Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2017

	Note	Unaudited Six months ended 30 June 2017 £'m	Unaudited Six months ended 30 June 2016 £'m	Audited Year ended 31 December 2016 £'m
Net cash generated from operations	7	3.1	6.0	18.2
Net finance costs		(1.1)	(1.0)	(2.0)
Income taxes paid		(1.4)	(0.9)	(0.4)
Net cash generated from operating activities		0.6	4.1	15.8
Cash flows from investing activities				
Purchases of property, plant and equipment and applications software	2	(2.3)	(1.9)	(5.2)
Sale of property		-	2.4	-
Purchase of subsidiary, net of cash acquired	6	(2.0)	(0.7)	(82.6)
Purchase of trade and assets		(0.8)	-	-
Proceeds from sale of available for sale assets		-	27.5	29.9
Cash flows (used) / generated in investing activities		(5.1)	27.3	(57.9)
Cash flows from financing activities				
Proceeds from share issues		-	-	34.2
Dividends paid		-	-	(3.7)
Repayment of borrowings		(3.0)	(18.5)	-
Repayment of revolving credit facility		-	-	(2.5)
New bank loans raised		10.0	-	20.0
Finance lease repayments		-	-	(0.1)
Net cash generated / (used) in financing activities		7.0	(18.5)	47.9
Net increase in cash and cash equivalents		2.5	12.9	5.8
Cash and cash equivalents at start of period		12.9	7.1	7.1
Cash and cash equivalents at the end of period	9	15.4	20.0	12.9
Cash and cash equivalents shown above comprise:				
Cash at bank		15.4	20.0	12.9

Notes to the Consolidated Interim report
For the six months ended 30 June 2017

1 Basis of preparation

The condensed consolidated interim financial information for the half year ended 30 June 2017 was approved by the Board of Directors and authorised for issue on 11 September 2017. The disclosed figures are not statutory accounts in terms of Section 435 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2016, on which the auditors gave an audit report which was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006, have been filed with the Registrar of Companies. The annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union.

This half-yearly report has been prepared on a basis consistent with the accounting policies expected to be applied for the year ended 31 December 2017, and uses the same accounting policies and methods of computation applied for the year ended 31 December 2016.

There were no new relevant standards or interpretations to be adopted for the six months ended 30 June 2017.

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 these half-yearly financial statements.

2 Segmental information

The Group is organised into two main operating segments, Document Management and Relocation, and incurs Head Office costs. Service 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 change 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:

	Six months ended 30 June 2017 Unaudited			
	Document Management £'m	Relocation £'m	Head Office £'m	Total £'m
Revenue	64.8	22.1	-	86.9
Segment adjusted operating profit/(loss)	15.8	2.0	(1.3)	16.5
Exceptional items				(11.9)
Share-based payments charge				(0.3)
Amortisation of intangible assets				(3.0)
Operating profit				1.3
Finance costs				(1.2)
Profit before tax				0.1
Tax charge				(0.1)
Profit after tax				-
Segment assets	264.0	32.0	5.8	301.8
Segment liabilities	41.8	9.1	102.4	153.3
Capital expenditure	2.2	0.1	-	2.3
Depreciation and amortisation	5.6	0.4	-	6.0

	Six months ended 30 June 2016 Unaudited			
	Document Management £'m	Relocation £'m	Head Office £'m	Total £'m
Revenue	37.2	18.2	-	55.4
Segment adjusted operating profit/(loss)	9.7	1.7	(0.9)	10.5
Exceptional items				(4.9)
Share-based payments charge				(0.3)
Amortisation of intangible assets				(0.8)
Operating profit				4.5
Finance costs				(0.8)
Profit before tax				3.7
Tax charge				-
Profit after tax				3.7
Segment assets	182.7	24.5	3.6	210.8
Segment liabilities	23.3	10.9	63.1	97.3
Capital expenditure	1.8	0.1	-	1.9
Depreciation and amortisation	2.3	0.3	-	2.6

	Document Management £'m	Relocation £'m	Head Office £'m	Total £'m
	Year ended 31 December 2016 Audited			
Revenue	90.1	39.3	-	129.4
Segment adjusted operating profit/(loss)	22.0	4.8	(1.8)	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 charge				3.1
Profit after tax				10.6
Segment assets	249.3	40.5	4.1	293.9
Segment liabilities	42.6	10.9	88.3	141.8
Capital expenditure	5.0	0.2	-	5.2
Depreciation and amortisation	8.0	0.7	-	8.7

For the six months ended 30 June 2017, exceptional costs were £11.9m (including restructuring costs of £3.7m, £0.3m of box relocation and transport costs, £0.1m of transaction costs, £7.1m in relation to the settlement of the Executive Incentive Plan in cash and £0.7m of other exceptional costs) (2016: exceptional costs were £4.9m including restructuring and redundancy costs in Document Management of £2.7m and £0.1m in Relocation, £0.2m of acquisition transaction costs, £0.1m of box relocation and transport costs, £1.7m of National insurance costs of exercised options and other exceptional costs of £0.1m).

In the year ended 31 December 2016, £10.3m of exceptional costs were incurred (acquisition transaction costs, £1.2m, box relocation and associated costs, £0.4m, restructuring and redundancy costs, £6.2m, other £2.5m).

3 Tax

The underlying tax charge is based on the expected effective tax rate for the full year to 31 December 2017. It is anticipated that the tax charge in the period will be £0.1m due to the tax relief available as a result of the settlement of the Executive Incentive Plan in cash.

4 Earnings per ordinary share

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

	Unaudited Six months ended 30 June 2017	Unaudited Six months ended 30 June 2016	Audited Year ended 31 December 2016
Weighted average number of shares in issue	112,362,360	97,040,947	102,712,773
Total profit after tax for the period	£0.0m	£13.0m	£18.3m
Total basic earnings per ordinary share (pence)	0.0p	13.4p	17.8p
Weighted average number of shares in issue	112,362,360	97,040,947	102,712,773
Share options	3,201,345	422,558	5,454,143
Executive incentive plan	-	280,566	-
Weighted average fully diluted number of shares in issue	115,563,705	97,744,071	108,166,916
Total fully diluted earnings per share (pence)	0.0p	13.3p	16.9p
Continuing profit for the period	£0.0m	£3.7m	£10.6m
Continuing basic earnings per share (pence)	0.0p	3.8p	10.3p
Continuing fully diluted earnings per share (pence)	0.0p	3.8p	9.8p
Discontinued profit for the period	-	£9.3m	£7.7m
Discontinued basic earnings per share (pence)	-	9.6p	7.5p
Discontinued fully diluted earnings per share (pence)	-	9.5p	7.1p

The Directors believe that adjusted basic 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:

	Unaudited Six months ended 30 June 2017 £'m	Unaudited Six months ended 30 June 2016 £'m	Audited Year ended 31 December 2016 £'m
Profit before tax for the period	0.1	3.7	7.5
Adjustments:			
Amortisation of intangible assets	3.0	0.8	4.4
Exceptional items	11.9	4.9	10.3
Share-based payments charge	0.3	0.3	0.8
Other finance costs	-	(0.1)	-
Adjusted profit for the period	15.3	9.6	23.0

The additional adjusted earnings per share, based on weighted average number of shares in issue during the period, 112.4m (2016: 97.0m, 102.7m) is calculated below:

	Unaudited Six months ended 30 June 2017	Unaudited Six months ended 30 June 2016	Audited Year ended 31 December 2016
Adjusted profit before tax (£'m)	15.3	9.6	23.0
Tax at 19.5% / 20.0% / 20.25% (£'m)	(3.0)	(1.9)	(4.6)
Adjusted profit after taxation (£'m)	12.3	7.7	18.4
Adjusted basic earnings per share (pence)	10.9p	7.9p	17.9p
Adjusted fully diluted earnings per share (pence)	10.6p	7.9p	17.0p

5 Dividends

In respect of the current period, the Directors propose an interim dividend of 1.67p per share (2016: 1.33p) to be paid to shareholders on 10 November 2017. The proposed interim dividend is payable to all shareholders on the Register of Members on 13 October 2017. The estimated dividend to be paid is £1.9m (2016: £1.5m).

6 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 £0.1m was acquired as part of the net assets and the provisional customer relationships acquired were £0.1m and goodwill £0.4m.

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 Company 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.

In 2016, the fair value of assets acquired as part of the PHS acquisition were shown as provisional. During the period 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 acquired sites, increasing the goodwill on acquisition.

7 Cash inflow from operations

	Unaudited Six months ended 30 June 2017 £'m	Unaudited Six months ended 30 June 2016 £'m	Audited Year ended 31 December 2016 £'m
Profit before tax	0.1	3.7	7.5
Depreciation of property, plant and equipment	3.0	1.8	4.3
Amortisation of intangible assets	3.0	0.8	4.4
Net finance costs	1.2	0.8	2.0
Share-based payments charge for the period	0.3	0.3	0.8
Share-based payments charge on cash settlement of EIP options	7.1	-	-
Cash settlement of EIP options	(7.9)	-	-
Loss on disposal of plant, property and equipment	-	-	0.8
Decrease/(increase) in inventories	0.3	-	0.2
Increase in trade and other receivables	(4.7)	(3.4)	(5.1)
Increase/(decrease) in trade and other payables	0.7	2.0	3.1
Net cash generated from operations	3.1	6.0	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	3.1	6.0	18.2

8 Intangible assets

	Goodwill £'m	Customer relationships £'m	Trade names £'m	Applications software & IT £'m	Total £'m
Cost					
1 January 2016	75.3	57.3	2.0	2.7	137.3
Arising on acquisition of subsidiaries	(0.3)	-	-	-	(0.3)
Additions - external	-	-	-	0.2	0.2
30 June 2016	75.0	57.3	2.0	2.9	137.2
1 July 2016	75.0	57.3	2.0	2.9	137.2
Arising on acquisition of subsidiaries	56.5	17.2	2.3	-	76.0
Disposals	-	-	-	(0.1)	(0.1)
Additions - external	-	-	-	0.3	0.3
31 December 2016	131.5	74.5	4.3	3.1	213.4
1 January 2017	131.5	74.5	4.3	3.1	213.4
Arising on acquisition of subsidiaries	2.0	0.5	-	-	2.5
Arising on acquisition of trade	-	0.8	-	-	0.8
Additions - external	-	-	-	0.4	0.4
30 June 2017	133.5	75.8	4.3	3.5	217.1
Accumulated amortisation and impairment					
1 January 2016	10.6	5.7	1.1	1.3	18.7
Charge for the period	-	0.4	0.1	0.3	0.8
30 June 2016	10.6	6.1	1.2	1.6	19.5
1 July 2016	10.6	6.1	1.2	1.6	19.5
Charge for the period	-	3.2	0.1	0.3	3.6
31 December 2016	10.6	9.3	1.3	1.9	23.1
1 January 2017	10.6	9.3	1.3	1.9	23.1
Charge for the period	-	2.5	0.2	0.3	3.0
30 June 2017	10.6	11.8	1.5	2.2	26.1
Carrying amount					
30 June 2017 - Unaudited	122.9	64.0	2.8	1.3	191.0
31 December 2016 - Audited	120.9	65.2	3.0	1.2	190.3
30 June 2016 - Unaudited	64.4	51.2	0.8	1.3	117.7

9 Financial liabilities

	Unaudited 30 June 2017 £'m	Unaudited 30 June 2016 £'m	Audited 31 December 2016 £'m
Bank loans due within one year			
Bank loans - secured	7.1	5.5	7.0
Deferred financing costs	(0.2)	(0.2)	(0.2)
	6.9	5.3	6.8
Non-current			
Bank loans - secured	85.9	44.5	79.0
Deferred financing costs	(0.5)	(0.5)	(0.6)
	85.4	44.0	78.4

Analysis of net debt

	Unaudited 30 June 2017 £'m	Unaudited 30 June 2016 £'m	Audited 31 December 2016 £'m
Cash at bank and in hand	15.4	20.0	12.9
Bank loans and overdrafts due within one year	(6.9)	(5.3)	(6.8)
Bank loans due after one year	(85.4)	(44.0)	(78.4)
	(76.9)	(29.3)	(72.3)

10 Post balance sheet events

On 31 July 2017, the Group acquired the shredding activities across the UK of Banner Group for £0.3m in cash.

On 31 July 2017, the Company completed the acquisition of the trade and assets of Solutions for Archiving, a secure document storage business for £0.4m in cash.

On 14 August 2017, the Company acquired Baxter Confidential Limited, a secure shredding and archiving business based in Winchester for £1.6m in cash.

On 8 September 2017, the Company acquired Lombard Recycling Limited and Data Shred Limited (together Lombard), two secure shredding businesses for £2.4m in cash.

The Group is still in the process of establishing the fair value of the assets and liabilities acquired.

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