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Restore plc

("Restore" or the "Group" or the "Company")

Full year 2023 results

Restore plc (AIM: RST), the UK's leading provider of digital and information management and secure lifecycle services, today announces its results for the year ended 31 December 2023.

SUMMARY OF RESULTS

	2023	2022	Change
Revenue (£m)	**277.1**	279.0	(1%)
Adjusted operating profit[1] (£m)	**44.3**	51.9	(15%)
Adjusted operating margin[2] (%)	***15.9%***	*18.6%*	*(270bps)*
Adjusted profit before tax[3] (£m)	**30.3**	41.0	(26%)
Statutory (loss)/profit before tax (£m)	**(29.0)**	23.3	(224%)
Net debt[4] (£m)	**97.8**	103.5	6%
Adjusted basic earnings per share[5] (pence)	**17.0p**	24.3p	(30%)
Statutory basic (loss)/earnings per share (pence)	**(22.5p)**	12.3p	(283%)
Dividend per share (pence)	**5.2p**	7.4p	(30%)

STRATEGY

- New Chair, Chief Executive Officer and Chief Financial Officer appointed in H2.
- New strategy announced in November 2023, focused on improving operational performance, margins and maintaining high levels of cash generation.
- Initial actions include reduction in head office functions with devolution of responsibilities to businesses and the appointment of new management teams.

TRADING PERFORMANCE

- Group revenue broadly flat at £277.1m (2022: £279.0m):
  - Digital and Information Management revenue £170.1m (2022: £168.2m); strong growth in Records Management storage revenues, Digital impacted by fewer major scanning projects than 2022.
  - Secure Lifecycle Services revenue £107.0m (2022: £110.8m); record revenue at Harrow Green, Technology and Datashred impacted by slower IT replacement market and lower recycled paper prices respectively.
- Significant contract awards and projects in the year included HM Revenue & Customs, the BBC and the largest pharmaceutical company move in the UK.
- Adjusted profit before tax down 26% to £30.3m, reflecting weak trading in Technology, Digital and Datashred, and higher interest costs.
- Proposed final dividend of 3.35 pence (2022: 4.8 pence); total dividend for the year of 5.2 pence (2022: 7.4 pence).

CHARLES SKINNER, CEO, commented:

"While the 2023 results were disappointing given the calibre of Restore's market positions and recurring income streams, the core strengths of the Group remain intact.

Restore has undergone considerable change over the last six months, including a change in operating style and approach to certain of our markets, a reduction in head office functions to give power and responsibility back to the businesses, and management changes which have brought new energy, enthusiasm, and entrepreneurial spirit to the Group. Encouragingly, the Group is already showing strong signs of improved financial performance and given the strength of our market positions in attractive sectors and our highly contracted and recurring income streams, we believe Restore should be targeting an adjusted operating margin of no less than 20% in the medium term.

Trading since the start of the year has been in line with the Board's expectations, and we anticipate all of our businesses, with the possible exception of Harrow Green, to deliver an improvement in adjusted operating margins in the current year."

1) Calculated as statutory operating profit before adjusting items (reconciled below Consolidated statement of comprehensive income).
2) Calculated as adjusted operating profit divided by revenue.
3) Calculated as statutory profit before tax and adjusting items (reconciled below Consolidated statement of comprehensive income).
4) Calculated as external borrowings less cash, excluding the effects of lease obligations under IFRS16 (reconciled in note 9).

5) Calculated as adjusted profit before tax with a standard tax charge applied, divided by the weighted average number of shares in issue (reconciled in note 5).

Cautionary Statement: This announcement contains certain statements, statistics and projections that are or may be forward-looking. The accuracy and completeness of all such statements, including, without limitation, statements regarding the future financial position, strategy, projected costs, plans and objectives for the management of future operations of Restore and its subsidiaries is not warranted or guaranteed. These statements typically contain words such as 'intends', 'expects', 'anticipated', 'estimates' and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Although Restore believes that the expectations will prove to be correct. There are a number of factors, many of which are beyond the control of Restore, which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements.

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CHAIR'S INTRODUCTION

This is my first annual statement as Chair of Restore, and my time to date, together with my previous positions on the Board, confirm my view not only of the Group's resilience, but also of its excellent fundamentals and potential for growth. The business has seen a new Chair, CEO and CFO all within a short period of time in the year - a very significant amount of change for any organisation. Additionally, this has been against a backdrop of challenging macroeconomics and cost increases driven by inflationary pressures, particularly in labour costs. Despite these disruptions and challenges, the core strengths of the business remain unchanged; high levels of contracted and recurring revenues and strong cash generation are qualities of Restore that endure and have
underpinned delivery of a solid revenue performance. Specific challenges in Technology, Digital and Datashred, combined with a higher cost base together with increased interest costs, have impacted profits. The full year profit performance is significantly lower than the Board's expectations at the start of the year and we rebased our financial guidance during 2023 as a result.

2023 performance

Although the Group's performance in 2023 was not as the Board expected or hoped, our highly contracted and recurring income streams delivered solid revenue of £277.1m, broadly flat on 2022.

Within our Digital and Information Management division, revenue was £170.1m (2022: £168.2m) driven by a mix of a continued strong performance from our Records Management business - delivering its highest ever revenues - offset by significant drop offs in bulk scanning activity negatively impacting our Digital business. Revenue in our Secure Lifecycle Services division was £107.0m (2022: £110.8m), a result of reduced levels of quality IT assets for resale offsetting record revenues in our commercial relocation business, Harrow Green.

Inflationary cost pressures continued to be a significant drag on profits, compounded by lower recycled paper pricing and interest rate increases. These factors were also present for the wider market. Therefore, adjusted profit before tax decreased significantly to £30.3m, down 26.1% from adjusted profit before tax of £41.0m in 2022. As a result of the reduced profits of the Group, adjusted basic earnings per share decreased to 17.0 pence for the year, a fall of 30.0% compared to the 24.3 pence achieved for 2022.

Leadership changes in the year

The Board was pleased to welcome the return of Charles Skinner as Chief Executive Officer in September, bringing over thirty years of senior management experience in listed companies, twenty of which were as Chief Executive. Charles was CEO of Restore between 2009 and 2019, and that extensive knowledge of the Group has meant he has hit the ground running. Since his appointment he has made a large number of changes in the team and operational structure, principally with the objective of giving the divisions and business units the power and responsibility to run their businesses, drawing on their extensive knowledge of their customer base. That has led to the scaling back of the Head Office functions, a rebased focus for the leadership team on improving margin, and a pause on strategic acquisitions.

After a nine-year non-executive tenure, Sharon Baylay-Bell stood down as Chair in October. In that period, she has served as Risk Committee Chair, Senior Independent Director, and has been Chair since 2021. During her tenure as Chair, she has successfully managed the evolution of the Board and over the second half of 2023 had led the transition to a new executive leadership team. The Board would like to thank Sharon for her contributions during her nine years at Restore.

The new executive team was completed with the appointment of Dan Baker as CFO in November. Dan brings considerable commercial and technical accounting knowledge as well as a strong understanding of listed company and growth environments. Dan succeeded Mike Killick, who was interim CFO from August; again, the
Board would like to thank Mike for his efforts in that time.

I would like to thank Charles Bligh and Neil Ritchie for the contributions they have made over the last four years, and we wish them both well for the future.

Our colleagues

As a result of our weaker trading, we had to reduce our workforce by c7% to around 2,700 at the end of the year. Whilst this was necessary to ensure our future competitiveness, it has not been easy to say goodbye to so many colleagues and I recognise this has been difficult for our people. I would like to thank all of our team for their dedication and perseverance throughout the past financial year, during which I know for many of them the changes will have been unsettling. Having made these changes, I believe we are now well positioned to look to the future with strength and resilience. I look forward to these changes, I believe we are now well positioned to look to the future with strength and resilience. I look forward to working together with them to rebuild value in 2024 and beyond.

Health and safety
Health and safety has always been the first item for Board discussion with Sharon as Chair, and remains so today, and I am pleased with the sustained focus across the business on ensuring Restore remains a safe place to work.

The Group Health & Safety Non-Executive committee has maintained a high level of focus throughout the year and has been further reconstituted and strengthened following the changes in leadership. We have continued to work on enhancing culture, communications, systems and training during 2023. Management's relentless approach to continuous improvement is commended and I extend my gratitude to the health and safety, and management team for their diligence and evolution of focus, especially against a backdrop of change.

During the year the Board and I visited several sites across our divisions where we were pleased to see the business operating effectively and safely.

Dividends
Your Board is recommending a final dividend of 3.35 pence, payable on 9 July 2024 to shareholders on the register at close of business on 7 June 2024. This brings the total dividend for the year to 5.2 pence (2022: 7.4 pence).

Stakeholder engagement
Engagement with our key stakeholders enables the Board to understand their needs and priorities in order to deliver value and build a better business. During my role as interim CEO, and now as Chair, I met with several of our major institutional investors. These interactions have remained insightful and instructive in shaping the changes we have made to the business and provided valuable feedback for the Board.

Strategic progress
During the year we have simplified our strategy and message, and are now focused on improving operational performance, enhancing margins and maintaining high levels of cash generation. We do not plan to undertake any strategic acquisitions, although to the extent an immediate return on capital can be made, we will deploy capital where it makes sense to do so.

The changes in leadership, particularly Charles and Dan, have underlined this strategy and they have already made changes to drive improved margins. We have strong market positions which give us scale and opportunities for further efficiencies over the next two years. Once we have demonstrated our ability to deliver on this strong platform, we will be able to consider larger scale expansion.

I am very proud of the high levels of customer service we deliver, which is showcased in the case studies included in the 2023 annual report. We pride ourselves in providing critical solutions and services to our customers, and it is especially pleasing when we receive such strong feedback.

In this context, I am very pleased to say that the business is well set for the future; we are extremely focused on our direction, and I am confident we have the right strategy and right people to deliver.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Introduction
I was CEO of Restore plc from June 2009 to March 2019 and was re-appointed as CEO in September 2023. Since my return, I have been pleased to note that the core strengths of the Group remain intact. All the businesses in each of our divisions retain a deep understanding that excellence at the point of service delivery to
the customer is what underpins long-term success and personal job satisfaction.

The Group is comprised of two divisions, Digital and Information Management and Secure Lifecycle Services, with five businesses within them: Records Management, Digital, Technology, Datashred and Harrow Green. The businesses all hold market-leading positions, being either the largest or second largest operator in their UK markets. Having said that, they are at different stages of maturity and require different styles of management. The core driver of the Group is the Records Management business within our Digital and Information Management division. It operates in a mature market in which it has strong recurring revenues and can command highly attractive margins, based on its long history of excellent delivery and continuous cost minimisation. Records Management still has opportunities to enhance margins, particularly through rationalisation of its extensive and fragmented property portfolio, but volume growth is unlikely to be material in the long term.

In contrast, our other businesses all have organic growth opportunities in front of them. Digital's recent digital mailroom contract wins with HMRC (the Group's largest ever contract) and HM Land Registry highlight its unique strengths in digitisation. Technology similarly has significant growth opportunities as the largest and most disciplined IT lifecycle manager, offering the secure service increasingly required by blue-chip and government customers. Datashred has the opportunity over time to establish itself as the key player in what remains a less
consolidated market than might be expected. Harrow Green, having established itself by some distance as the pre-eminent UK office mover, now has specialist platforms in fast-growing sectors such as life sciences to build on.

Both of our divisions, and in particular three of our businesses, faced industry-specific headwinds in 2023. A dearth of major bulk scanning contracts impacted Digital's revenues, weak global IT sales meant low levels of IT recycling for Technology, and a steep decline in recycled paper prices during the year translated into reduced profitability at Datashred. Nonetheless, these factors highlighted the need for business model changes to these three businesses which are now underway.

Both of our divisions have a similar customer base, with most enterprises of any scale needing some or all of our services. There are a multitude of areas in which the businesses collaborate. Nevertheless, the excellent specialists running our business know what will deliver the best results for our stakeholders and they need to have the power and responsibility to execute as they see appropriate. To facilitate this, head office functions were reduced during the second half of the year.

Health and safety
Health and safety is the first priority across the Group. 2023 saw a 7% reduction in accidents, with a 35% decrease in lost time. We attribute this reduction to the focus placed on amplifying colleague voice, through safety observation schemes and developing competency in our workforce. Over 11,000 Royal Society for the
Prevention of Accidents ("ROSPA") assured mandatory training courses have been delivered to colleagues, in key risk areas such as manual handling, fire safety and slips, trips and falls.

Manual handling remains the biggest contributor to accident statistics (26%), with collisions (20%) and slips trips and falls (18%) as other areas of significance. As we look ahead, we will target these key areas of risk for reduction by improving the two-way conversation with our people, which will be evidenced with an increase in safety observation reporting and perpetuating structured risk consultation and participation.

2024 will also see us focus on our ability to benchmark ourselves internally and externally. Internally we will utilise ISO 45001 and ISO 45003 as critical frameworks to prioritise the health and happiness of our people and to create a more resilient organisation. Externally we will partner with NatWest Mentor to create a bespoke audit programme, which will enable the Group to receive an impartial, competent review of our practices and with feedback strive for continuous improvement.

To ensure simple lines of responsibility and facilitate best practice across the Group, we have streamlined our health and safety governance structure. Of our nine dedicated health and safety officers, the most senior in each division comprise our Health & Safety Best Practice committee. This committee has standardised divisional reporting and provides key performance indicator data monthly, so trend and risk analysis can be undertaken dynamically.

The Health & Safety Best Practice committee reports to the Group Health & Safety Non-Executive committee which comprises our Chair, CEO and Non-Executive Director responsible for ESG. Also in attendance is one divisional health and safety lead and a variety of divisional senior leaders, each a specialist in critical areas such as operations, logistics, people and facilities. Our health and safety auditor reports to this committee, which in turn reports to the Board.

Trading performance
Revenue for 2023 was broadly flat at £277.1m. Records Management achieved record revenues of £124.1m (2022: £113.7m) driving the Digital and Information division's total revenues to £170.1m (2022: £168.2m) despite Digital's revenues decreasing from £54.5m to £46.0m. A similar pattern was seen in the Secure Lifecycle Services division where revenues declined from £110.8m to £107.0m. Harrow Green's record revenues of £40.0m (2022: £37.6m) were offset by declines in revenue in both Technology (from £35.8m to £31.1m) and Datashred (from £37.4m to £35.9m).

Adjusted profit before tax declined from £41.0m to £30.3m, despite Records Management and Harrow Green achieving strong profits. Both Digital and Datashred recorded lower profits year-on-year while Technology recorded an adjusted operating loss. Interest costs increased from £10.9m to £14.0m.

These results were disappointing, given the strength of the Group's market positions in all its markets and the recurring nature of the bulk of the Group's revenues. As noted earlier, the three underperforming businesses faced market-specific headwinds, but it is our firm view that the strength of the Records Management business should not be expected to subsidise underperformance elsewhere.

Actions undertaken
Between my appointment in September and the year-end, the Group has undergone considerable change. The most obvious of these has been the reduction in Head Office functions. This was no reflection on the capabilities of those at Head Office but that the divisions lacked the power and responsibility to use their deep knowledge and understanding of their businesses to manage them on a day-to-day basis.

Accordingly, the central marketing, sales, customer relationship management, risk management, and mergers and acquisitions teams were scaled back to ensure that these functions were the right size and fit for the future direction of the Group.

In November, Dan Baker was appointed as our CFO. His experience as a senior divisional financial director in two blue-chip companies, together with an enthusiasm for maintaining an entrepreneurial spirit in our divisions, has had a swift impact, not least on recognising how Head Office can add value to the divisions rather than controlling them.

In addition, we have changed the management structure in Technology to a leadership team that fully understands the business market dynamics. Natalie Matthews, who has overseen several business transformations across the Group, has been appointed Managing Director of Datashred. There has been a new energy in both businesses as the Technology management team focus on its core activity of servicing the IT recycling and lifecycle needs of larger customers and Natalie drives through our achievable ambition of being the lowest cost operator in the UK shredding industry.

Core business narrative
Given the strength of our market positions in attractive sectors and our recurring revenue streams, I believe the Group should be targeting an adjusted operating margin of no less than 20% in the medium term.

Within the Digital and Information Management division, Records Management had previously been charged with achieving appreciable net box growth. This goal has been removed with the new focus being on driving up profits, primarily through increasing margins.

If Records Management can increase profits further, the remainder of the Group (excluding Harrow Green) will still need to achieve adjusted operating margins of at least 15%, to get the Group adjusted operating margin to 20%. Therefore, these businesses' goal over the next two years is to show that they have the capability of delivering adjusted operating margins of 15%.

Harrow Green, which has steadily increased revenues and adjusted operating margins since its acquisition in 2012, has a capital-light business model such that lower adjusted operating margins than 15% are acceptable.

While we focus on driving up margins, we do not intend to undertake strategic acquisitions. But we will deploy capital on add-on acquisitions to our existing operations where we can achieve a strong immediate return on invested capital. We will also undertake capital investment where the long-term returns are attractive, particularly around the consolidation of our Records Management estate, steadily moving out of smaller, inefficient legacy sites.

We expect to be able to show the cash-generative capabilities of the Group over the next two years. Once we have demonstrated this and our capability of achieving adjusted operating margins of 20%, we expect to have a strong platform to consider a more expansive strategy.

Digital and Information Management
Our Digital and Information Management division comprises Records Management and Digital. For 2023 revenue was £170.1m, up 1% on 2022 with adjusted operating profit of £40.9m, down 9.5% on 2022 due to a disappointing result in the Digital business. Statutory operating profit was £35.2m, a reduction of 15.4% from 2022.

Records Management
Records Management increased revenues by 9.1% to £124.1m. There was a marginal increase in net box growth with price changes accounting for most of the revenue increase. Despite price changes, adjusted operating margins declined slightly

as the cost base increases of the last two years, particularly in labour and property costs, were not fully recovered.

Over several decades, Records Management has continuously reduced its costs through more efficient operations and finding ways to store boxes more cheaply. This resulted in many customers rarely receiving price rises. This helped increase the cost benefits to customers but resulted in poor mechanisms to adjust prices and under-recovery of cost increases in the recent inflationary environment. This has now been resolved with most contracts having inflation-related pricing structures and prices reflecting more closely historic and prospective cost increases.

The pattern of increasing rates of destructions being offset by growth from existing customers continued. The vended market (customers who have an existing supplier) remained steady across the industry as the cost of switching suppliers made it unattractive for storers to switch suppliers. We are focusing our sales function on the unvended market, particularly in the public sector where there remains a significant opportunity for institutions and government to save considerable cost by outsourcing their in-house facilities. This has been the area of greatest growth for us in recent years as illustrated by the recently completed move of the BBC archives from Perivale to our site in the South-East of England. The move itself was undertaken by Harrow Green, taking just under a year to complete. The result is greater storage efficiency for the BBC. A similar but smaller exercise was undertaken for the Department for Work and Pensions.

We are currently operating at 95% of box storage capacity (utilisation of the available capacity). Since the year-end, we have signed a long-term lease on a 103,000 square foot facility in the East Midlands which has a capacity of well in excess of 1m boxes. Over the next year, we will be decanting boxes from two of our most expensive legacy sites into this facility where storage costs per box are far cheaper, resulting in an improvement in margins. After this exercise, there will still be surplus space enabling us to decant boxes from other more expensive sites.

We intend to continue this steady transfer of boxes from smaller, more expensive sites into larger, cheaper sites over the coming years. We view this as an excellent opportunity to drive margins upwards. For many of our smaller competitors, this option is not available, and I expect our cost advantages to strengthen our long-term market position.

Digital
Digital revenue experienced a steep drop from £54.5m to £46.0m. This decline reflected both a spike in 2022 revenues on the back of a one-off government project and an absence of major digitisation projects particularly from NHS Trusts. The impact was felt in margins which also fell significantly.

The majority of Digital's revenues are recurring, particularly from digital mailrooms, scanning exam papers, online storage and a long-term onsite government agency contract. We have no genuine competitors of scale in these areas although some competitors manage large single-contract sites. There is however a significant overhead to support these activities meaning that low-margin bulk scanning activities are undertaken which are underpinned by major contracts typically lasting for between three months and two years. The fluctuation in such major one-off contracts accounts for the swing between the 2022 and 2023 revenues.

During the course of the year, we responded to the lower levels of bulk scanning activities by closing our general scanning bureaus in Hanworth, South West London, and Redditch in the West Midlands, transferring ongoing work to our larger facilities in Manchester and Wolverhampton. We also closed our microfiche facility in Inverness. Consolidating these facilities is expected to reduce surplus capacity across Digital as a start to increasing margins towards the level appropriate to a dominant operator with unique skillsets and capabilities.

Several significant contracts were won in the year reflecting our pre-eminence in the digitisation sector. The most notable of these was with HMRC. The contract, valued at up to £140m (dependent on transactional volumes), spans a duration of five to seven years and started in September 2023. Under this contract, Digital is responsible for outbound print and messaging services (SMS, email, rich messaging) which are sub-contracted to two strategic partners, as well as the inbound mailroom and scanning services which Restore already provides to HMRC under its existing contract. Within this service, Digital is delivering a communications platform, working with its strategic partners to move HMRC's customers to digital communications.

Other significant contracts won in the year included a digital mailroom for HM Land Registry, multiple digitisation projects for the Ministry of Defence and two significant contracts in the private healthcare sector. During 2023 we renewed 14 of our largest 25 contracts for at least two years. Given our undoubted strengths as market leader in this attractive sector, the short-term challenge is to increase margins to reflect this pre-eminence by focusing on high-margin activities, reducing overheads and being less reliant on one-off bulk scanning contracts, particularly those with limited visibility.

Secure Lifecycle Services
Our Secure Lifecycle Services division comprises Technology, Datashred and Harrow Green. For 2023 revenue was £107.0m, down 3.4% on 2022 with adjusted operating profit of £6.2m, down 43.6% on 2022. Statutory operating profit was £5.0m, a reduction of 49.5% from 2022.

Technology
Technology recorded an adjusted operating loss on revenues which declined from £35.8m to £31.1m. There were considerable sector-specific headwinds, primarily the low level of IT purchases globally and therefore a significant decline in recycled IT equipment, but the weak performance also reflected misapprehension of the commercial opportunities available to Technology.

The primary service which Technology currently supplies is the secure and responsible recycling of IT equipment, known by the acronym ITAD or IT Asset Disposal. In this field, our key relationships are with large companies and government departments looking to ensure that their IT equipment carries no trace of its former content and that it is disposed of ethically with minimal damage to the environment. There are typically two charging models: one where all related costs are charged to the customer and the customer receives a higher proportion of any equipment resold and another where the customer receives the services for free and has limited interest in the sale proceeds on any sales of the recycled equipment. Under both of these models, we wish to receive IT equipment from responsible customers who value our expertise and generally recycle their equipment at a comparatively young age.

The key element in securing the right customers for ITAD is building long-term relationships with large customers who want the highest standard in the disposal of their IT equipment. Such customers will share information about the timing of prospective IT disposals and will value the thoroughness and breadth of the services we provide. Technology had through acquisition established a presence in the lower end of the ITAD market where customers simply wanted their old equipment taken away - that is not the market for Technology.

The highest-growth area in which Technology operates is in managing the IT lifecycle. This means being responsible for a customer's IT equipment from its purchase to its disposal, often including loading programmes on a new machine and delivering it to the end user, monitoring its location during its lifetime and finally arranging for its collection and disposal. Increasingly IT equipment vendors look to partner with us on a high-volume sale with the vendor providing the equipment to the customer and Technology managing the lifecycle of the equipment. An example of this is Technology's agreement with the vendor CDW and their customer, a large government organisation, under which Technology is currently managing the lifecycle of a significant number of their laptops.

Technology has three purpose-built IT recycling sites together with a specialist destruction site, which also offers onsite destruction of IT equipment. It also provides engineering services for the connection and disconnection of IT equipment.

Our Ultratec operation is a market leader in the wiping of hard drives which can then be sold. As part of its operations, Ultratec has developed a platform called Genesis that can recover hard drives that have failed during industry standard software wiping of data. This offers a unique opportunity for Technology as approximately 30% of hard drives fail when being wiped. Historically, these are then destroyed (to make safe the data they are storing) with minimal value but using the Ultratec Genesis platform, there is the opportunity to further recover over 80% of these failed drives, wipe them and then resell at the relevant market price. Ultratec also provides this Genesis platform on a rental model (SaaS model) to a number of international partners, and this highly contracted service offering provides further growth opportunities.

Given the scale, breadth and market leadership of Technology, its financial performance in 2023 was very disappointing, even allowing for the low volume of activity in the industry. The new management team is addressing this through simple pragmatic measures:

- moving out of the low-end IT recycling market where the customer simply wants to surrender end-of-life equipment;
- prioritising close customer relationships with blue-chip high-end recycling customers;
- creating a specialist sales team to work with the large IT vendors who need a lifecycle management partner; and
- upskilling the production floor with enthusiasts who can recognise the potential value of individual types of recycled equipment.

It is likely that the IT equipment sales market will pick up in 2024 which will be helpful in ensuring a return to profitability for Technology. However, the greater commercial potential over the medium term lies in leveraging our technical and market skills to capitalise fully on the range of opportunities available to Technology.

Datashred

Datashred recorded a decline in revenues in 2023 from £37.4m to £35.9m, despite service revenues increasing to £27.1m. The reduction in revenues was attributable to a decline in the price of recycled paper during the year. As a business recycling c50,000 tonnes of paper annually, the drop in the average recycled paper price from an average of £238 per tonne in 2022 to £185 per tonne in 2023 had an impact on revenues of £2.8m, which fell straight through to profit. Without conventional hedging instruments available, swings in recycled paper prices can lead to volatile earnings.

Nevertheless, being one of the two major operators in this dynamic market means that there are also many long-term opportunities. The main feature is that, while the use of paper is expected to show a slow decline over the very long term, paper will continue to be used for the foreseeable future, and the proportion of that paper which needs to be shredded is likely to increase. So, there will be a need to shred paper for a very long time to come. The attractions to Datashred of this market are manifold: a consistent, albeit slightly declining, market attracts few, if any, new entrants; smaller, long-established operators, particularly those impacted by higher interest costs in a capital-intensive business, feel the pinch of a sharp decrease in the paper price far more, and will be inclined to look for an exit - this is not a sector in which you would want to hand on a business to the next generation; benefits of scale in a mature market become overwhelming; service charges eventually reflect the risk that a supplier is assuming around the value of the recycled paper value; a strong Group balance sheet enables
Datashred to cope with swings in the paper price; and volume and quality guarantees to regular buyers of recycled paper, typically UK mills, facilitate hedging capability.

Datashred has unique advantages in its market: a captive client in Records Management who supplied c10,800 tonnes of paper to Datashred in 2023; the attractions of "chain of custody" to Group customers knowing that documents can be stored, scanned and shredded by one trusted supplier; and the opportunity to reduce rent costs by sharing paper collection sites with other Group businesses, typically Records Management sites where many of its sites have ample yard space to accommodate a Datashred collection site as is in place already at Southampton and Coventry.

Under the new MD, Natalie Matthews, the Datashred management team is targeting many actions to ensure Datashred fully exploits its strong market position. These include a reduction in central costs, a review of profitability and pricing by category of customer which spans partners (typically the facilities management agents), large customers and SMEs, building closer long-term relationships with established buyers of recycled paper and reviewing opportunities to share sites with Group businesses.

There are also significant growth opportunities in providing additional services which utilise our powerful infrastructure such as collecting, bundling and reselling non-secure wastepaper and shredding non-paper materials. Since the year-end, appreciable price increases have been achieved, reflecting historic under-pricing
of our services to certain customer sectors. A re-jig of customer relationship allocations has reduced the number of accounts held by business development managers who can now focus on new business.

Operationally, we have made good progress on improving efficiencies with average number of visits per day increasing from around eight to around eleven. This has enabled an increase in margins in the field and gives us an excellent bedrock for achieving market-leading margins. This is particularly true when combined with a focus on more intelligent sales and customer relationship management. The logic of supplying paper shredding alongside paper storage and scanning is ineluctable.

Similarly, secure destruction of paper sits alongside the secure destruction of IT hardware and software as undertaken by Technology. I am confident that Datashred will be the best-placed shredding operator in the UK market and that adjusted operating margins in excess of 15% are achievable in due course.

Harrow Green

Harrow Green increased revenues by 6.4% to a record £40.0m leading to an improved adjusted operating profit. This reflected a total of 413,400 desk moves, delivered by c400 full-time employees. The increase in moving activity resulted in an increase in storage revenues of 33%.

Major moves were undertaken for the British Library, Credit Agricole and the University of Glasgow. Many of the largest moves were undertaken in conjunction with other Group businesses. Most notable was the move of the BBC archive from Perivale to Records Management's bespoke site in the South East of England with ongoing contracts including the

Perivale to Records Management's bespoke site in the South-East of England with ongoing contracts including the reorganisation of BT's sites across the UK in partnership with both Technology and Datashred.

Harrow Green has leveraged its pre-eminence in complex large-scale office relocations into establishing a market-leading presence in specialist sectors such as life sciences and heritage. On the former, the massive relocation of one of the world's leading pharmaceutical companies' facilities in Cambridge bore testimony
to our ability to execute a complex move in this highly demanding sector. We have recently commissioned a biobank at our branch storage facility in Cambridge, which enhances our capability to service this sector and is expected to generate an excellent return on invested capital. We are also opening a new branch in the Oxford area which will further develop our service offering to the life sciences sector.

As part of our Group-wide commitment to environmental progress, we significantly increased our Harrow Green fully electric vehicle fleet. Across the Group, we are aware that such a commitment can be costly, and customers will often not be prepared to contribute to the sharply increased costs. Nevertheless, where the limited range of EVs is not a handicap in terms of customer service, we look to deploy EVs in appropriate geographies such as the City of London where distances travelled are small and range anxiety is not a concern.

Harrow Green's Net Promoter Score of 87 is higher than it ever has been and is testimony to our service levels in a sector where good customer experience and trust is the key to both generating ongoing business and commanding premium pricing.

Harrow Green is not expected to achieve as high a margin as other Group activities given its variable cost structure, but it requires very little capital and thus generates an excellent return on invested capital. Furthermore, it enhances the Group's offering to its customer base in many areas. This ranges from sourcing IT equipment for Technology's recycling capability to assisting Records Management on box relocation, both in terms of executing
the move and providing a total package for the customer.

Our People
As a result of weaker trading, we unfortunately had to reduce our workforce by nearly 7% during the course of the year to c2,700 at the end of 2023. There were redundancies in all businesses, together with a reduction in headcount at Head Office and in our central HR department over the second half of the year.

This rightsizing was necessary to ensure we can be fully competitive in the markets in which we operate. Our people are by far the most important element in our Group, and we are wholly reliant on their ability to ensure excellent service delivery at the point of contact with our customers. I am confident that the steps we have taken will not impair this and that, as a result of these changes, the future of our employees is more secure and their opportunities for personal development are greater.

I would like to thank our people for their resilience in what has been a difficult year and look forward to their sharing in the future success of the Group.

Our planet
The Group has made great progress in putting our "Restoring our world" strategy into action throughout 2023. We have reestablished our net zero commitments, as well as articulating the journey we will take to meet these commitments in the short, medium and long-term. With the majority of our carbon emissions generated from our fleet, it is very encouraging to see an increase in our EV/ hybrid fleet from 3% to 17% of our total fleet throughout the year, with 91% of our company cars now EV or hybrid. Our estate now has 86% of our directly procured electricity backed by REGO-certified contracts and we expect to see this increase in 2024.

Outlook
The Group has undergone a significant change in management over the last six months. There has been a change in operating style and approach to certain of our markets over that period, and the Group is already showing strong signs of improved financial performance.

Trading since the start of the year has been in line with the Board's expectations, and we anticipate all of our businesses, with the possible exception of Harrow Green, to deliver an improvement in adjusted operating margins in the current year.

CHIEF FINANCIAL OFFICER'S STATEMENT

Financial highlights

£m	2023	2022	%
Revenue	**277.1**	279.0	(1%)
Adjusted operating profit	**44.3**	51.9	(15%)
Adjusted profit before tax	**30.3**	41.0	(26%)
Statutory (loss)/profit before tax	**(29.0)**	23.3	(224%)
Free cashflow[6]	**37.3**	34.6	8%
Net debt	**97.8**	103.5	6%

6 Calculated as cash generated from operations less income taxes paid, capital expenditure and lease payments, but before the cash impact of adjusting items (reconciled below Consolidated statement of cash flows).

Overview
Revenue for the year ended 31 December 2023 was broadly flat at £277.1m. Revenue and adjusted profit before tax have been largely underpinned by a continuing high proportion of recurring storage income and services in our Records Management business, part of our Digital and Information Management division, together with highly contracted services across the rest of the Group. However, the headwinds of less non-recurring bulk scanning in Digital, weak volumes of IT assets translating to lower recycling volumes for resale in Technology, and reduced paper prices in Datashred have resulted in a lower adjusted operating profit of £44.3m (2022: £51.9m). These challenges, combined with higher interest charges, have resulted in a lower adjusted profit before tax of £30.3m (2022: £41.0m).

On a statutory basis, the Group made a loss before tax of £29.0m (2022: profit of £23.3m). This loss was driven by £59.3m of adjusting items, the largest component of which is £36.3m relating to asset impairments, primarily in the Datashred cash generating unit, due to reduced expectations of future growth and an increase in the Group's cost of capital.

Good cash generation endures as a key quality of the Group with cash conversion[7] of 110% for 2023 (2022: 82%) and a free cashflow of £37.3m (2022: £34.6m). As a result, net debt decreased to £97.8m as at 31 December 2023 (2022: £103.5m). Due to the Group's lower profitability, the leverage ratio increased to 1.9x (2022: 1.7x), although this is still well within the Group's target range and covenant levels.

7 Calculated as free cashflow divided by net operating profit after tax (reconciled below Consolidated statement of cash flows).

Revenue

£m	**2023**	2022	Variance
Records Management	**124.1**	113.7	10.4
Digital	**46.0**	54.5	(8.5)
Digital and Information management	**170.1**	168.2	1.9
Technology	**31.1**	35.8	(4.7)
Datashred	**35.9**	37.4	(1.5)
Harrow Green	**40.0**	37.6	2.4
Secure Lifecycle Services	**107.0**	110.8	(3.8)
Total	**277.1**	279.0	(1.9)

Income statement
Digital and Information Management
Records Management had another year of strong revenue growth, achieving record revenues of £124.1m. This was driven from a base of highly recurring revenues, primarily from quality blue-chip and government customers, and further benefited from a major contract win with the BBC alongside structured price increases across most contracts. This business continues to provide a resilient income stream for the Group and underpins the overall revenue and profit performance of the Group.

Fewer non-recurring contracts, particularly in bulk scanning, has led to a more challenging year for Digital against a strong comparator with revenue decreasing by £8.5m to £46.0m. This was partially offset by major contract wins with HMRC and HM Land Registry for digital mailroom services, both of which commenced in 2023 and will continue into 2024.

Secure Lifecycle Services
The global slowdown in the IT sector has seen many companies cutting back spending on new hardware. That has adversely impacted Technology due to the knock-on impact of lower volumes and a reduced quality of IT assets for recycling and has therefore resulted in a lower revenue of £31.1m.

Datashred's service activity increased during the year, but the business was negatively impacted by significantly lower global recycled paper prices. Prices continued to be depressed in the second half of 2023, giving rise to a lower revenue of £35.9m.

Harrow Green had a very strong 2023, in particular winning and delivering a significant contract for a large multinational pharmaceutical firm. This led to revenue growth of £2.4m and strong revenues of £40.0m.

Adjusted profit
Despite revenue in the Group being broadly flat, the impact of lower non-recurring contract work, reduced recycled paper prices and significant cost inflation noted throughout the year has resulted in lower Group profitability. Although the headwinds noted were partially mitigated by cost control actions implemented in the second half of the year, adjusted operating profit for the year was significantly lower than 2022 at £44.3m.

Additionally, progressively rapid increases in the Bank of England base rate during 2023 significantly increased the interest burden, resulting in finance costs of £14.0m (2022: £10.9m). Consequently, the Group's adjusted profit before tax decreased to £30.3m for the year (2022: £41.0m), a reduction of 26.1%.

Adjusting items
Due to the nature of certain income or costs, the Directors believe that an alternative measure of profit before tax and earnings per share provides readers of the annual report with a useful representation of the Group's performance that should be considered together with statutory profit and earnings per share.

The adjusting items in arriving at adjusted profit before tax are as follows:

£m	**2023**	2022
Asset impairments	**36.3**	-
Amortisation	**12.2**	12.1
Acquisition transaction costs	**0.2**	1.4
Restructuring and redundancy	**5.9**	2.6
Property related costs	**3.1**	0.9
Strategic IT organisation	**1.6**	0.7
Total	**59.3**	17.7

The largest component of adjusting items in 2023 relates to asset impairments of £36.3m. This primarily comprises a £32.5m non-cash impairment of the goodwill in the Datashred cash generating unit following a reassessment of future growth expectations, and £3.6m impairment of assets relating to a business exit in the Technology business.

There was a slight increase in amortisation to £12.2m in 2023 as a result of acquisitions made in 2022, no material acquisitions have been made in 2023. This lack of M&A activity has also driven a reduction in the acquisition transaction costs incurred during the year.

The second half of 2023 saw a new Chair, new CEO, new CFO, new management teams in the Technology and Datashred businesses, and a reduction in the head office team. Additionally restructuring has been taking place within the businesses to right size the Group and drive margins. This activity has resulted in restructuring and redundancy charges of £5.9m.

Following the changes in the senior leadership team, a strategic review of the Group's property estate was conducted. This led to a reassessment of sites in the Group, categorising them into those that were considered to be strategic to the Group and would be unlikely to be exited until the end of their useful life and those which were not considered to be strategic to the Group and would be exited before the end of their useful life. This reassessment has driven a review of the dilapidation provision needed to be held by the Group as we are now expecting to exit more sites in the short and medium term than was previously expected and we therefore need to recognise the associated increase in dilapidations provision that we expect to crystallise in the future. This reassessment and subsequent review of the dilapidations provision has led to an additional charge of £3.1m being recognised in the income statement.

Investment has continued in the Group's strategic IT programmes, with new finance systems implemented in Digital and Technology in 2023. Due to the nature of cloud-based accounting, these costs are expensed as they are incurred.

Following these adjusting items, the Group made a statutory loss before tax of £29.0m (2022: statutory profit before tax of £23.3m).

Earnings per share

	2023	2022
Weighted average number of shares in issues	**136,580,425**	136,761,738
Weighted average fully diluted number of shares in issue	**137,302,753**	138,025,803
Adjusted profit before tax (£m)	**30.3**	41.0
Tax at 23.5% (2022: 19%) (£'m)	**(7.1)**	(7.8)
Adjusted profit after tax (£m)	**23.2**	33.2
Adjusted basic earnings per share	**17.0p**	24.3p
Adjusted fully diluted earnings per share	**16.9p**	24.1p

Adjusted basic earnings per share is calculated by reference to the adjusted profit before tax for the year with a standard tax charge applied, divided by the weighted average number of shares in issue during the year.

Adjusted fully diluted earnings per share is calculated by reference to the adjusted profit before tax for the year with a standard tax charge applied, divided by the weighted average fully diluted number of shares in issue.

The 30.0% decrease in adjusted basic earnings per share to 17.0 pence (2022: 24.3 pence) resulted primarily from a 30.1% decrease in adjusted profit after tax plus a slight decrease in the weighted average number of shares.

Statutory basic loss and diluted loss per share was 22.5 pence, primarily as a result of profit decline in the year.

Financing and interest expense
Net debt closed the year at £97.8m (2022: £103.5m) with leverage increasing from 1.7x to 1.9x.

	2020	2021	2022	**2023**
Net debt (£m)	66.1	100.8	103.5	**97.8**
Leverage	1.8x	1.8x	1.7x	**1.9x**

Interest expense relating to bank and other secured borrowings increased to £8.9m following the increase in interest rates during the year, which is linked to the Bank of England base rate. Non-cash interest on finance lease liabilities, primarily property, reduced by £0.6m as a result of the lease liability reducing from £114.9m at 31 December 2022 to £103.5m at 31 December 2023.

£m	**2023**	2022
Interest on borrowings	**8.9**	5.0
Interest on finance lease liabilities	**4.4**	5.0
Amortisation of deferred finance costs	**0.6**	0.9
Other finance costs	**0.1**	-
Total finance costs	**14.0**	10.9

In the first half of 2023 the Group entered into US Private Placements ("USPP") of £25m with a fixed term and rate. Together with a £200m Rolling Credit Facility ("RCF"), this increased the total facilities available to the Group to £225m from £200m at 31 December 2023 alongside a £1.5m undrawn overdraft facility. The Group also developed relationships with financing providers to introduce a variety of fixed interest rate instruments to create greater certainty over the cost of debt.

Subsequent to the year-end, following the change in the Group's strategy to move away from acquisitions and instead focus on improving operational performance and maintaining good cash generation, the Group has made the following changes to its financing arrangements in order to more appropriately match the facilities to the Group's needs:

- voluntarily cancelled £75m of the RCF, decreasing the RCF from £200m to £125m;

- voluntarily cancelled £75m of the RCF, decreasing the RCF from £200m to £125m;
- extended the RCF to 30 April 2027; and
- entered into a £10m overdraft facility with Barclays Bank plc to accommodate short-term cash requirements and free-up excess cash at bank and in-hand.

After the changes the Group has £150m of available facilities, which Restore believes is ample given its revised strategy. Should it be needed, the RCF includes an accordion which the Group can exercise to increase the facility by up to a further £25m.

Taxation
The tax charge for the period is £1.7m (2022: £6.5m).

Cashflow
Cash generation endures as a key quality of Restore and in 2023 the Group generated free cashflow before financing costs of £37.3m (2022: £34.6m).

Net cash generated from operating activities was in line with 2022 at £47.8m with cash conversion within target range at 110% (2022: 82%).

Capital allocation
Our near-term focus is to improve operational performance, deleverage the balance sheet and maintain shareholder returns. The Group therefore has the following priorities on capital allocation:

- specific targeted investments will be made where they make business sense, with the emphasis on organic growth;
- pay down debt, decreasing leverage whilst keeping the range 1.5-2x adjusted EBITDA;
- maintain dividends, increasing relative to our profits albeit at a measured and sustainable rate; and
- a limited purchase of shares, of at least sufficient shares to satisfy employee incentive schemes to eliminate the otherwise dilutive effect, whilst staying within our target leverage range.

Statement of Financial Position
The Group's Statement of Financial Position continues to be in good health. Working capital management remains a strength of the business with debt ageing broadly consistent at 57 days and key working capital ratios in line with previous years. Whilst total equity has decreased to £232.1m (2022: £273.2m) due primarily to
the asset impairments recorded in the year, the current asset to current liability ratio is consistent at 1.3x.

The strength of the Statement of Financial Position is indicative of the overall good health of the business and provides substantial capacity to support future growth and investment requirements.

PRINCIPAL RISKS AND UNCERTAINTIES
The Group considers the following risks to be their principal risks; each are aligned to our strategy. They are regularly reviewed and mitigated through targeted investment, proactive actions and continuous improvement.

Risk	**Mitigation**
Organic growth Failure of the business to achieve organic growth in line with expectations, particularly in the Digital, Datashred and Technology businesses which have high fixed cost bases.	• We have realigned the Group's strategy to empower the businesses to unlock their potential and to ensure a focus on profitable growth from target sectors. • We have restructured and refreshed the Group's sales functions to align with the revised strategy, with a mandate to improve cross-selling and referral opportunities. • We have overhauled the Group's budgeting process to ensure that the targets in place are stretching but realistic and have incentivised based on these accordingly. • Costs and headcount at the Group's head office have been re-evaluated with significant cost savings implemented to support the Group's new strategy.
Systems, technology, data and cyber defence failure Failure or loss of systems, operational technology or cyber defences results in business interruption, loss of service and potential data breaches, impacting customers as well as revenues and business reputation for the Group.	• A Group IT strategy is in place with appropriate investment plans to mitigate material operational and cyber risk. This includes significant approved budget spend in 2024 for investment in hardware along with platforms to further improve resilience and disaster recovery performance. • The Group IT strategy is in line with NCSC Cyber Security Guidelines with Cyber Essential Plus certifications achieved across all businesses. • Key cyber threats are continuously assessed and managed through the implementation of industry standard methodologies with external advisory support as well as managed services contracts with market leading providers. • Disaster recovery and business continuity plans are in place and tested for each site and as required for the Group's IT platforms. • There is comprehensive cyber insurance in place in the Group's Digital and Technology businesses, where the risk is deemed to be the most prevalent.
Workforce health, safety and wellbeing Any loss of life, injury or wellbeing issues are of serious concern to the Group and have the potential to impact the Group's reputation, workforce morale	• The health, safety and wellbeing governance structure was reviewed and changed in the year to promote clear communication from the front line to the board. This governance has rationalised KPI reporting within the

and financial performance.	businesses as well as dynamically sharing information at Group and Board level. • There are clear policies in place across the Group covering a wide range of key health, safety and wellbeing risks; health and safety, fire prevention, wellbeing, stress, safe driving, drugs and alcohol. • There was the creation of a Group-wide initiative "A Safe Place To Work", governed by the Group Safety and Wellbeing Committee and developed by dedicated health and safety leaders from each business. • The Group refreshed the focus on a strong safety culture and the reporting of occupational risk, focusing on a two-way conversation with the organisation. • There continues to be a holistic approach to driver and vehicle risk management. There is a well-maintained fleet that is fit for purpose, with driving risk management systems conducting licence checks, driver assessments, training, and telematics. • There was an ongoing review and audit of compliance with the Group's fire prevention policy and framework.
Environment - impact of climate-related matters Our climate-related commitments are challenging and will require the appropriate decarbonisation of our fleet and the ability to work with our value chain to reduce emissions both upstream and downstream. There is a reputational, and potentially commercial, risk to the Group from not meeting these stated commitments.	• The net zero commitments made by the Group are subject to annual review by the ESG Committee, in conjunction with external advisors. Changes will be made where required, in line with SBTi Corporate Net Zero Standard, to ensure the Group's journey to net zero is credible. • The Group has already moved its company car policy to one of "hybrid or electric only" with 91% of all cars currently using this technology. 17% of our overall fleet is now EV/hybrid. • EV chargers have been installed at 14% of all sites and a further network of charging infrastructure is being assessed for deployment over the coming years along with the potential for solar panels on our sites. • 86% of our directly procured electricity is now REGO backed with the remainder of the directly procured electricity moving onto these contracts in 2024.
Staff recruitment and retention resulting in insufficient resources to meet objectives Potential difficulties in expansion of resources or loss of operational staff or management makes it harder to deliver an effective and efficient business and maintain customer service expectations.	• We have insourced the recruitment function into the Group which has resulted in control of the hiring process along with associated improvements to the overall recruitment and onboarding process performance. We have also committed to additional investment to enhance the Group's careers website in 2024. • We have seen strong improvements in our Glassdoor ratings, which are reflective of the focus in our people agenda to date. We now have a 4.0 rating on Glassdoor against a UK average of 3.49. • The people leadership programme is on-going to further augment leadership talent and support succession planning. • We have invested in people management learning content and tools for c500 people leaders within the Group. • A full review of the people-related policies was completed to ensure our policies and procedures are colleague friendly and support our plans. • We are continuing our partnership with The Happiness Index (neuro-science based engagement provider). This will embed our ongoing focus on improving engagement and retention.
Property - extent, complexity, and suitability of the Group's property portfolio Property is the Group's second largest cost and the property network is a key enabler of business efficiency. Damage to property or inefficient utilisation impacts customer service, whilst headwinds of unforeseen dilapidation, rents and rates increase costs.	• The focus and governance surrounding our property risk has been enhanced going into 2024 with the introduction of a monthly Property Committee meeting with the Chair, (who has real estate expertise), CEO; CFO; Group Facilities and Mines Director and the Group Property Director. There has been strategic consideration and progress with the execution of site consolidation opportunities to support the Group's strategy of margin optimisation (to counter cost headwinds) and expansion strategies. • Property Working Group Meetings (formerly the Property Committee in 2023) continue with representation from Operations Directors across all businesses, finance and Group Facilities Director, chaired by the Group Property Director

	and sponsored by the CFO.
Financial Ongoing macro-economic instability could lead to pressure on our financial covenants through volatile interest rates, increasing level of inflationary costs, restricted access to future liquidity and enhanced credit risk as customers face their own challenges to the instability.	• The Group's RCF is provided by a broad and supportive banking syndicate with a credit facility of up to £125m in place and extended until April 2027. • We have introduced a portion of fixed rate debt into our debt profile with £25m of US private placement debt in place until 2028 at a fixed term and rate. We also opted to hedge a portion of our debt with an interest rate swap to fix the interest paid. • The Group operates well within borrowing covenants with monthly reviews of the Group's cashflow forecasts and forecast covenant compliance. • Credit risk is assessed by the businesses at the time of onboarding customers and then subsequently on a monthly basis.

Consolidated statement of comprehensive income
For the year ended 31 December 2023

	Year ended 31 December 2023 £'m	Year ended 31 December 2022 £'m
Revenue - continuing operations	277.1	279.0
Cost of sales	(160.7)	(155.4)
Gross profit	116.4	123.6
Administrative expenses	(94.4)	(89.2)
Movement in trade receivables loss allowance	(0.7)	(0.2)
Impairment of non-current assets	(36.3)	-
Operating (loss)/profit	(15.0)	34.2
Finance costs	(14.0)	(10.9)
(Loss)/profit before tax	(29.0)	23.3
Taxation	(1.7)	(6.5)
(Loss)/profit after tax	(30.7)	16.8
Other comprehensive loss	(0.1)	-
Total comprehensive (loss)/income for the year from continuing operations and (loss)/profit attributable to owners of the parent	(30.8)	16.8
(Loss)/earnings per share attributable to owners of the parent (pence)		
Total - basic	(22.5)p	12.3p
Total - diluted	(22.5)p	12.2p

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

	Year ended 31 December 2023 £'m	Year ended 31 December 2022 £'m
Operating (loss)/profit	(15.0)	34.2
Adjusting items - Administrative expenses	10.8	5.6
Adjusting items - Amortisation of intangible assets	12.2	12.1
Adjusting items - Impairment	36.3	-
Total adjusting items	59.3	17.7
Adjusted operating profit	44.3	51.9
Adjusted operating profit	44.3	51.9
Tax at 23.5% (2022: 19.0%)	(10.4)	(9.9)
NOPAT (Net operating profit after tax)	33.9	42.0
(Loss)/profit before tax	(29.0)	23.3
Adjusting items (as stated above)	59.3	17.7

Adjusted profit before tax	30.3	41.0

Consolidated statement of financial position
At 31 December 2023
Company registered no. 05169780

	31 December 2023 £'m	31 December 2022 Restated* £'m
ASSETS		
Non-current assets		
Intangible assets	284.7	331.9
Property, plant and equipment	79.4	79.7
Right of use assets	91.6	106.8
Other receivables	5.2	5.1
	460.9	523.5
Current assets		
Inventories	1.5	2.0
Trade and other receivables	63.1	64.9
Cash and cash equivalents	22.7	30.2
Current tax assets	1.2	-
	88.5	97.1
Total assets	549.4	620.6
LIABILITIES		
Current liabilities		
Trade and other payables	(44.9)	(49.1)
Financial liabilities - lease liabilities	(18.6)	(19.2)
Derivative liability	(0.1)	-
Current tax liabilities	-	(1.6)
Provisions	(4.4)	(1.7)
	(68.0)	(71.6)
Non-current liabilities		
Financial liabilities - borrowings	(120.5)	(133.7)
Financial liabilities - lease liabilities	(84.9)	(95.7)
Deferred tax liability	(29.3)	(30.9)
Provisions	(14.2)	(15.4)
Other payables	(0.4)	(0.1)
	(249.3)	(275.8)
Total liabilities	(317.3)	(347.4)
Net assets	232.1	273.2
EQUITY		
Share capital	6.8	6.8
Share premium	187.9	187.9
Other reserves	3.7	6.9
Retained earnings	33.7	71.6
Total equity	232.1	273.2

*Refer to Note 1 for details of the restatement

Consolidated statement of changes in equity
For the year ended 31 December 2023

	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 2022	6.8	187.9	7.0	63.5	265.2
Profit for the year	-	-	-	16.8	16.8
Total comprehensive income for the year	-	-	-	16.8	16.8

Transactions with owners:					
Dividends	-	-	-	(9.9)	(9.9)
Share-based payments	-	-	1.7	-	1.7
Deferred tax on share-based payments	-	-	(0.7)	-	(0.7)
Transfer*	-	-	(2.1)	2.1	-
Purchase of treasury shares	-	-	(1.1)	-	(1.1)
Disposal of treasury shares	-	-	2.1	(0.9)	1.2
Balance at 31 December 2022	6.8	187.9	6.9	71.6	273.2
Balance at 1 January 2023	6.8	187.9	6.9	71.6	273.2
Loss for the year	-	-	-	(30.7)	(30.7)
Other comprehensive loss for the year	-	-	(0.1)	-	(0.1)
Total comprehensive loss for the year	-	-	(0.1)	(30.7)	(30.8)
Transactions with owners:					
Dividends	-	-	-	(9.1)	(9.1)
Share-based payments	-	-	(0.5)	-	(0.5)
Deferred tax on share-based payments	-	-	(0.2)	-	(0.2)
Transfer*	-	-	(3.3)	3.3	-
Purchase of treasury shares	-	-	(0.6)	-	(0.6)
Disposal of treasury shares	-	-	1.5	(1.4)	0.1
Balance at 31 December 2023	6.8	187.9	3.7	33.7	232.1

* In 2023 a net amount of £3.3m (2022: £2.1m) was reclassified from the share-based payments reserve to retained earnings in respect of lapsed and exercised options.

Consolidated statement of cash flows
For the year ended 31 December 2023

	Year ended 31 December 2023 £'m	Year ended 31 December 2022 £'m
Cash generated from operating activities	66.9	65.2
Net finance costs	(12.8)	(11.4)
Income taxes paid	(6.3)	(6.0)
Net cash generated from operating activities	47.8	47.8
Cash flows from investing activities		
Purchase of property, plant and equipment and applications software IT	(10.3)	(11.0)
Purchase of subsidiary undertakings, net of cash acquired	(1.3)	(10.8)
Purchase of trade and assets	(0.4)	(0.7)
Net cash used in investing activities	(12.0)	(22.5)
Cash flows from financing activities		
Dividends paid	(9.1)	(9.9)
Purchase of treasury shares	(0.6)	(1.1)
Proceeds from disposal of treasury shares	0.1	1.2
Repayment of revolving credit facility	(48.0)	(145.8)
Drawdown of revolving credit facility	10.0	146.8
Drawdown of US Private Placement notes facility	25.0	-
Lease principal repayments	(20.7)	(19.2)
Net cash used in financing activities	(43.3)	(28.0)
Net decrease in cash and cash equivalents	(7.5)	(2.7)
Cash and cash equivalents at start of year	30.2	32.9
Cash and cash equivalents at end of year	22.7	30.2

A reconciliation between the statutory results above and the non-GAAP cashflow measures is shown below:

	Year ended 31 December 2023 £'m	Year ended 31 December 2022 £'m
Cash generated from operating activities	66.9	65.2
Income taxes paid	(6.3)	(6.0)
Purchase of property, plant and equipment and applications		

software IT	(10.3)	(11.0)
Lease principal repayments	(20.7)	(19.2)
Add back: Cash impact of adjusting items - administrative expenses	7.7	5.6
Free cashflow	37.3	34.6
NOPAT (Net operating profit after tax)	33.9	42.0
Cash conversion	110%	82%

Notes to the preliminary financial information
For the year ended 31 December 2023

1. Basis of preparation

The financial information in this preliminary announcement has been extracted from the audited consolidated financial statements for the year ended 31 December 2023 and does not constitute the Group's statutory accounts for the years ended 31 December 2023 or 2022 within the meaning of s435 of the Companies Act 2006.

The Group's statutory accounts for the year ended 31 December 2022 have been filed with the Registrar of Companies, and those for 2023 will be delivered following the Company's Annual General Meeting. The Auditor has reported on the statutory accounts for 2023 and 2022. Their report for 2023 and 2022 was (i) unqualified, (ii) included no matters to which the auditor drew attention by way of emphasis and (iii) did not contain statements under Sections 498 (2) or 498 (3) of the Companies Act 2006 in relation to the financial statements.

The consolidated financial statements of the Group have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities and share options which are held at fair value. The accounting policies have been consistently applied, other than where new policies have been adopted. The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The consolidated financial statements are presented in pounds sterling and, unless stated otherwise, shown in pounds million to one decimal place.

The Directors are satisfied that climate change does not have a material impact on either individual assets or cash-generating units in the consolidated financial statements.

Going concern
The Group meets its day-to-day working capital requirements through its financing facilities. Details of the Group's borrowing facilities are given in note 9. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the approval date of the consolidated financial statements, having taken into consideration the downturn in trading during 2023 and the current economic climate. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements. In making this assessment, the Directors have considered the financing arrangements available to the Group and the Group's cashflow forecasts through to 30 June 2025, taking into account reasonably possible downside trading scenarios involving a reduction to non-recurring income streams. The Directors' assessment includes reviewing the level of liquidity headroom and financial covenant compliance headroom over the period in review, including in the downside scenarios modelled. The Group's budget for 2024 and forecasts for 2025 show that the Group is expected to operate within the level of its current facilities.

Prior year restatement
During the year the Group reviewed the classification and presentation of contract assets within trade and other receivables and contract liabilities within trade and other payables. It was determined, following this review, that these balances should be re-presented based on the expected timing of the realisations of these assets and liabilities. In addition, right of use assets and lease liabilities have been restated to correct an error in the recording of a legacy lease.

As a result, the Consolidated statement of financial position as at 31 December 2022 has been restated as follows:

	As reported 2022 £m	Impact of restatement 2022 £m	Restated 2022 £m
Non-current assets			
Right of use assets	101.4	5.4	106.8
Other receivables	-	5.1	5.1
Current assets			
Trade and other receivables	70.0	(5.1)	64.9
Non-current liabilities			
Lease liabilities	(90.3)	(5.4)	(95.7)
Other payables	-	(0.1)	(0.1)
Current liabilities			
Trade and other payables	(49.2)	0.1	(49.1)

The restatement did not result in any change to reported profit, earnings per share, net assets or cash flows reported in 2022.

2. Segmental analysis

The vast majority of the trading of the Group is undertaken within the United Kingdom. Segment assets include intangible assets, property, plant and equipment, right of use assets, 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:

Revenue - continuing operations	**2023 £'m**	2022 £'m
Records Management	124.1	113.7
Digital	46.0	54.5
Digital & Information Management	170.1	168.2
Technology	31.1	35.8
Datashred	35.9	37.4
Harrow Green	40.0	37.6
Secure Lifecycle Services	107.0	110.8
Total Revenue	277.1	279.0

For the year ended 31 December 2023 no customers individually accounted for more than 3% (2022: 3%) of the Group's total revenue.

The Group had sales of goods of £27.4m (2022: £33.8m) relating to the sale of recycled paper and recycled IT assets. The remainder of revenue relates to the sales of services.

Segmental information

(Loss)/profit before tax	**2023 £'m**	2022 Restated £'m
Digital & Information Management	36.1	42.6
Secure Lifecycle Services	5.4	10.2
Central	(8.0)	(6.5)
Adjusting items - amortisation and impairment of non-current assets	(48.5)	(12.1)
Operating (loss)/profit	(15.0)	34.2
Finance costs	(14.0)	(10.9)
(Loss)/profit before tax	(29.0)	23.3

The impairment of goodwill and customer relationships and the amortisation of acquired intangible assets have been recorded centrally.

Digital & Information Management	**2023 £'m**	2022 Restated £'m
Operating profit	35.2	41.6
Adjusting items	5.7	3.6
Adjusted operating profit	40.9	45.2
Revenue	170.1	168.2
Adjusted operating margin	24%	27%

Secure Lifecycle Services	**2023 £'m**	2022 Restated £'m
Operating profit	5.0	9.9
Adjusting items	1.2	1.1
Adjusted operating profit	6.2	11.0
Revenue	107.0	110.8
Adjusted operating margin	6%	10%

The prior year balances in the segmental information tables above have been restated to ensure consistent presentation with the disclosures in 2023.

2023	**Digital & Information Management £'m**	**Secure Lifecycle Services £'m**	**Central £'m**	**31 December 2023 Total £'m**
Segment assets	428.4	116.5	34.5	549.4
Segment liabilities	116.0	45.3	156.0	317.3
Capital expenditure	8.4	1.8	0.1	10.3
Depreciation and amortisation	32.2	12.3	0.5	45.0
Impairment	0.1	0.1	36.1	36.3

	Digital & Information Management	Secure Lifecycle Services	Central	31 December 2022 Total

2022 (restated)	£'m	£'m	£'m	£'m
Segment assets	451.7	158.3	10.6	620.6
Segment liabilities	120.8	63.7	162.9	347.4
Capital expenditure	8.4	2.2	0.4	11.0
Depreciation and amortisation	29.2	11.9	0.6	41.7

3. Adjusting items

Management believe it is useful to provide readers of the financial statements with alternative performance measures ("APMs") that describe the performance of the Group before the effects of significant costs or income that are considered to be distorting due to their nature, and non-cash amortisation primarily arising from acquired intangible assets.

Adjustments made from statutory measures to adjusted measures are referred to as adjusting items within the financial statements and include impairments, amortisation, expenses associated with acquisitions and subsequent integration costs, costs associated with major restructuring programmes, and other significant costs and credits that are considered to be distorting due to their nature when assessing the performance of the business. The Group's adjusting items are set out below:

	2023 £'m	2022 £'m
Impairments	36.3	-
Amortisation	12.2	12.1
Acquisition transaction costs	0.2	1.4
Restructuring and redundancy	5.9	2.6
Property related costs	3.1	0.9
Strategic IT reorganisation	1.6	0.7
Total	59.3	17.7

Impairment
The non-cash impairment charge relates primarily to an impairment of goodwill in the Datashred CGU (£32.5m) resulting from reduced expectations on service activity, paper volumes and recycled paper pricing. In addition to this, there is a £3.6m impairment in the Technology CGU following a business exit, this comprises the impairment of customer relationship related intangible assets (£3.4m) and right-of-use assets (£0.2m). Given the overall quantum of the impairment charge and its non-cash nature, this cost is adjusted for in deriving the Group's alternative performance measures.

Amortisation
The amortisation charge primarily relates to acquired intangible assets arising from business combinations in prior years alongside a charge relating to the amortisation of software. Given the overall quantum of the amortisation charge and its non-cash nature, this cost is adjusted for in deriving the Group's alternative performance measures. For transparency, we note that the Group does not similarly adjust for the related revenue and profits generated from its business combinations in its alternative profit measures.

Acquisition transaction costs
Acquisition related transaction adjustments primarily relate to legal, due diligence, financing and advisory costs incurred in association with business acquisition activity. The lower level of acquisition related costs incurred during the year were as a result of less acquisition activity. For transparency, we note that the Group does not similarly adjust for the related revenue and profits generated from its acquisitions in its alternative profit measures.

Restructuring and redundancy
Restructuring and redundancy adjustments relate primarily to the Group-wide organisational restructuring and "right-sizing" programme which has been ongoing across the Group throughout 2023 (£4.7m) and will continue into 2024. £1.2m also relates to the incremental costs that have been incurred from the senior management changes ongoing during the year. For 2022, restructuring and redundancy costs were classified as adjusting and principally arose from acquisition related restructuring and integration activity (£2.1m), with the remaining cost in connection with other Group-wide restructuring programmes (£0.5m). Future cost savings are expected from some of the restructuring activity during the year, however, for transparency we note that these cost savings will not be adjusted for in deriving the Group's alternative performance measures.

Property related costs
Following the changes in the senior leadership team, a strategic review of the Group's property estate was conducted. This led to a reassessment of sites in the Group, categorising them into those that were considered to be strategic to the Group and would be unlikely to be exited until the end of their useful life and those which were not considered to be strategic to the Group and would be exited before the end of their useful life. This reassessment has driven a review of the dilapidation provision needed to be held by the Group as we are now
expecting to exit more sites in the short and medium term than was previously expected and we therefore need to recognise the associated increase in dilapidations provision that we expect to crystallise in the future. This reassessment and subsequent review of the dilapidations provision has led to an additional charge of £3.1m being recognised in the income statement. During 2022, property related adjustments related to a significant property dilapidation settlement on one site (£0.9m) which crystalised in excess of amounts provided for within
the financial statements. The dilapidation provision is a critical accounting estimate, and any individual small under or over provision of a property dilapidation is not separately identified within alternative performance measures, however given the quantum of the incremental costs incurred across over the last 2 years and the strategic nature of the review in 2023, the resultant additional charge is considered to be appropriately adjusted for in deriving the Group's alternative performance measures.

Strategic IT reorganisation
The Group is undertaking a multi-year programme to deliver cloud-based strategic IT programmes, particularly in relation to its financial systems. The implementation costs associated with these systems transformations are to be expensed to the income statement as incurred, with the in-year cost of these programmes being £1.6m for 2023 (2022: £0.7m). Future cost savings are expected from these systems implementations, however, for transparency we note that these cost savings will

not be adjusted for in deriving the Group's alternative performance measures.

4. Taxation

	2023 £'m	2022 £'m
Current tax:		
UK corporation tax on (loss)/profit for the year	3.7	6.0
Adjustment in respect of previous years	(0.2)	0.1
Total current tax	3.5	6.1
Deferred tax:		
Current year (decrease)/increase in deferred tax	(1.7)	0.3
Adjustment in respect of previous years	(0.1)	0.1
Total deferred tax	(1.8)	0.4
Total tax charge	1.7	6.5

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

	2023 £'m	2022 £'m
(Loss)/profit before tax	(29.0)	23.3
(Loss)/profit before tax multiplied by the rate of corporation tax of 23.5% (2022:19.0%)	(6.8)	4.4
Effects of:		
Expenses not deductible	0.4	1.3
Adjustment in respect of corporation tax for previous years	(0.1)	0.1
Adjustment in respect of deferred tax for previous years	(0.2)	0.1
Goodwill impairment	7.7	-
Share-based payments	0.7	0.3
Effect of change in rate used for deferred tax	-	0.3
Tax charge	1.7	6.5

5. (Loss)/earnings per share attributable to owners of the parent

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

	2023	2022
Total (loss)/profit for the year (£'m)	(30.7)	16.8
Total basic (loss)/earnings per share (pence)	(22.5)	12.3
Weighted average number of shares in issue	136,580,425	136,761,738
Dilutive options (number)	722,328	1,264,065
Weighted average fully diluted number of shares in issue	137,302,753	138,025,803
Total fully diluted (loss)/earnings per share (pence)	(22.5)	12.2

Adjusted earnings per share

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

	2022 £'m	2021 £'m
(Loss)/profit before tax	(29.0)	23.3
Adjusting items - administrative expenses	10.8	5.6
Adjusting items - amortisation of intangible assets	12.2	12.1
Adjusting items - impairment	36.3	-
Adjusted profit before tax	30.3	41.0

The adjusted earnings per share and adjusted fully diluted earnings per share, based on the weighted average number of shares in issue during the year of 136.6m (2022:136.8m) and weighted average fully diluted number of shares in issue during the year of 137.3m (2022: 138.0m) respectively, are calculated below using a standard tax charge:

	2023	2022
Adjusted profit before tax (£'m)	30.3	41.0
Tax at 23.5% (2022: 19.0%) (£'m)	(7.1)	(7.8)
Adjusted profit after tax (£'m)	23.2	33.2
Adjusted basic earnings per share (pence)	17.0	24.3
Adjusted fully diluted earnings per share (pence)	16.9	24.1

6. Dividends

The Directors recommend a final dividend of 3.35p per share for the year ended 31 December 2023 (2022: 4.8p per share) to give a full year dividend of 5.2p per share (2022: 7.4p). The aggregate amount of the proposed dividend expected to be paid on 9 July 2024 out of retained earnings at 31 December 2023, but not recognised as a liability at year end is £4.6m. An interim dividend of 1.85p was paid during the year (2022: 2.6p).

7. Intangible Assets

	Goodwill £'m	Customer relationships £'m	Trade names £'m	Applications software IT £'m	Total £'m
Cost					
1 January 2022	212.5	168.8	4.3	10.3	395.9
Arising on acquisition of subsidiaries	4.7	8.4	-	0.2	13.3
Arising on acquisition of trade and assets	0.2	0.7	-	-	0.9
Fair value adjustment	1.7	-	-	-	1.7
Additions	-	-	-	0.9	0.9
Disposals	-	-	-	(0.7)	(0.7)
31 December 2022	219.1	177.9	4.3	10.7	412.0
Additions	-	0.4	-	0.6	1.0
Disposals	-	-	-	(0.2)	(0.2)
31 December 2023	219.1	178.3	4.3	11.1	412.8
Accumulation amortisation and impairment					
1 January 2022	17.6	42.6	2.8	5.7	68.7
Charge for the year	-	10.4	0.2	1.5	12.1
Disposals	-	-	-	(0.7)	(0.7)
31 December 2022	17.6	53.0	3.0	6.5	80.1
Charge for the year	-	10.8	0.2	1.2	12.2
Disposals	-	-	-	(0.2)	(0.2)
Impairment	32.5	3.5	-	-	36.0
31 December 2023	50.1	67.3	3.2	7.5	128.1
Carrying amount					
31 December 2023	169.0	111.0	1.1	3.6	284.7
31 December 2022	201.5	124.9	1.3	4.2	331.9

Annual test for impairment

Goodwill is tested annually for impairment, or more frequently if there are indicators that an impairment may be required. For the purpose of impairment testing, goodwill, other intangible assets and property, plant and equipment are allocated to cash-generating units ("CGU's") which represent the smallest identifiable group of assets that generate cash inflows from continuing use, in the case of Restore this is considered to be the Business Unit level. The recoverable amount of each CGU is determined from value-in-use calculations. The calculations use pre-tax cash flow projections based on financial budgets and forecasts approved by the Directors.

At the half year, an impairment to goodwill of £32.5m was recognised in Datashred. This impairment resulted principally from reduced expectations on service activity, paper volumes and recycled paper pricing, as well as an increase in the discount rate partly driven by the change in the interest rate.

At the year-end, an impairment of customer relationship related intangible assets and right-of-use assets amounting to £3.6m was recognised in the Technology CGU in relation to a business exit.

After the recognition of these impairments, an impairment review was conducted over the residual carrying values including downside scenario modelling, which indicated that no further impairment was required. The year-end model utilises forecasts based upon the Group's FY24 Budget and 5 Year-Plan through to FY28. Terminal cash flows are based on the Group's FY28 projections assumed to grow perpetually at 2%. In accordance with IAS 36, the growth rates for beyond the initially forecast years do not exceed the long-term average growth rate for the industry. The forecasts have been discounted using a pre-tax discount rate specific to each CGU ranging from 11.9%-12.5% (2022: 9.5%).

A summary of management's base case value-in-use calculation, including key assumptions is set out below:

Base case value in use calculation summary

	FY23 to FY28 revenue cumulative annual growth rate (%)	FY23 to FY28 EBIT cumulative annual growth rate (%)	FY23 to FY28 EBIT margin growth (bps)	Discount rate (%)	Carrying value of assets (£'m)	Headroom (£'m)	Headroom as % of asset carrying value (%)	NPV of terminal year cashflows into perpetuity as % of value-in-use calculation (%)
Records Management	3.2%	5.0%	280	11.9%	319.8	193.6	60.5%	58.7%
Digital	2.9%	18.6%	800	12.1%	52.9	17.3	32.8%	64.8%
Technology	6.2%	(240.1%)	1790	12.5%	37.8	8.0	21.2%	69.0%
Datashred	3.3%	9.0%	220	12.4%	26.3	17.5	66.4%	52.5%
Harrow Green	4.6%	6.4%	100	12.1%	19.5	43.4	222.7%	56.6%

Climate related matters

The Group monitors climate-related risks and opportunities and has considered the potential impact of climate change on the impairment review conducted. Based on our assessment of climate-related risks likely to emerge, we do not expect these risks to drive a significant downturn in cashflows across the Group. Therefore, there are no overriding changes to key assumptions built into the forecasts and no specific sensitivities relating to climate change are considered necessary over and above the sensitivities performed below.

Sensitivity

A number of sensitivities have been modelled to highlight the way in which changes in trading and/or market conditions affect the value-in-use calculation. The table below highlights the sensitivity of the value-in-use calculation to changes in forecast cashflows and the discount rate.

In the Records Management and Harrow Green CGUs, the Group have not identified any reasonably possible changes that would result in an impairment. Across the remaining CGUs, there are considered to be some reasonably possible scenarios which could result in an impairment.

A summary of the sensitivity analysis performed covering Digital, Technology and Datashred is summarised below:

	Revenue reduction assuming gross margin in line with plan (%)	FY23 to FY28 revenue cumulative annual growth rate (%)	Headroom/ (impairment) (£'m)	Headroom/ (Impairment) as % of carrying value (%)	EBIT reduction (%)	FY23 to FY28 EBIT margin growth (bps)	Headroom/ (impairment) (£'m)	Headroom/ (impairment) as % of carrying value (%)
Digital	(7%)	1.4%	0.4	0.8%	(24%)	420	0.3	0.6%
	(8%)	1.2%	(2.1)	(4.0%)	(25%)	410	(0.4)	(0.8%)
	(9%)	1.0%	(4.5)	(8.5%)	(26%)	390	(1.1)	(2.1%)
Technology	(5%)	5.1%	0.6	1.6%	(17%)	1,550	0.3	0.8%
	(6%)	4.9%	(0.8)	(2.1%)	(18%)	1,530	(0.1)	(0.3%)
	(7%)	4.7%	(2.3)	(6.1%)	(19%)	1,520	(0.6)	(1.6%)
Datashred	(9%)	1.4%	1.4	5.3%	(55%)	(300)	0.1	0.4%
	(10%)	1.1%	(0.4)	(1.5%)	(56%)	(310)	(0.2)	(0.8%)
	(11%)	0.9%	(2.2)	(8.4%)	(57%)	(320)	(0.5)	(1.9%)

	Discount rate increase	Headroom/ (impairment) (£'m)	Headroom/ (impairment) as % of carrying value (%)	Revenue reduction dropping down to EBIT at 100% reflecting paper income (%)	FY23 to FY28 revenue cumulative annual growth rate (%	Headroom/ (impairment) (£'m)	Headroom/ (impairment) as % of carrying value (%)
Digital	1%	10.8	20.4%				
	2%	5.3	10.0%				
	3%	0.7	1.3%				
Technology	1%	3.6	9.5%				
	2%	(0.1)	(0.3%)				
	3%	(3.3)	(8.7%)				
Datashred	1%	14.0	53.2%	(4%)	2.4%	2.6	9.9%
	2%	11.1	42.2%	(5%)	2.2%	(1.1)	(4.2%)

3%	8.6	32.7%	(6%)	2.0%	(4.8)	(18.3%)

Digital

The drop in Digital's revenue and profitability in FY23 was driven by non-recurring contracts from FY22 benefiting the comparative. Given that c25% of Digital's revenue is non-recurring, there is a reasonably possible scenario in which non-delivery of revenue and profit in line with the base plan could result in a potential impairment. A revenue reduction of 8% in each of the forecast years dropping down to profit with gross margin in line with the plan would trigger an impairment of £2.1m. A 25% reduction to EBIT in each of the forecast years would drive an of £0.4m.

Technology

At the year-end, an impairment of £3.6m was recognised in the Technology CGU in relation to a business exit. The goodwill impairment review which was conducted at the year-end was based on the carrying value of assets after the recognition of this impairment.

The reduced level of profitability in Technology during FY23 is considered to be cyclical. Given that Technology's revenue is subject to cyclical market dynamics, there is a reasonably possible scenario in which non-delivery of revenue and profit in line with the base plan could result in a potential impairment. A revenue reduction of 6% in in each of the forecast years dropping down to profit with gross margin in line with the plan would trigger an additional impairment of £0.8m. A 18% reduction to EBIT in each of the forecast years would drive an additional impairment of £0.1m.

Datashred

At the half year, following a sharp decline in the paper price and a re-assessment of long-term volume in Datashred, an impairment of £32.5m was recognised to goodwill. The goodwill impairment review which was conducted at the year-end was based on the carrying value of assets after the recognition of this impairment.

While no further impairment has been recognised at the year-end, given that the recycled paper price is driven by market conditions and there is some uncertainty around the long-term volumes within the sector, there is a reasonably possible scenario in which non-delivery of revenue and profit in line with the base plan could result in a potential additional impairment. The scenario which forms the basis of management's base case assumes paper pricing of £183 per tonne, steady growth in paper tonnages and service visits of 1.0%, and 3.0% growth in service income per visit. The quoted growth rates have been applied to the FY24 budget. Were the average paper prices seen in the second half of 2023 to continue, a potential impairment of c£1.6m would be recognised. A revenue reduction of 10% in each of the forecast years dropping down to profit with gross margin in line with the plan would trigger an additional impairment of £0.4m. A revenue reduction of 5% in each of the forecast years dropping down to profit at 100%, to reflect a drop in paper income, would trigger an additional impairment of £1.1m. A 56% reduction to EBIT in each of the forecast years would drive an additional impairment of £0.2m.

The scenario which formed the basis of the impairment at the half-year assumed paper pricing of £170-£175 per tonne, steady compound average growth in paper tonnages of 1.0%, and 4.5% compound average growth in service revenue, using a pretax discount rate of 12.8%. There is additional headroom in the impairment model at the year-end for Datashred compared to the half-year as a result of a reduction in the pre-tax discount rate and the removal of H2 2023 from the model which was replaced by an additional more profitable year of trading in FY28.

8. Cash generated from operating activities

Cash generated from operations	**2023 £'m**	2022 £'m
(Loss)/profit before tax	(29.0)	23.3
Depreciation of property, plant and equipment and right-of-use assets	32.8	29.6
Amortisation of intangible assets	12.2	12.1
Impairment charge	36.3	-
Net finance costs	14.0	10.9
Share-based payments charge (including related NI)	-	1.9
Share-based payment settlement	(0.7)	-
Profit on sale of fixed assets	0.2	-
Decrease / (increase) in inventories	0.5	(0.3)
Decrease / (increase) in trade and other receivables	1.8	(11.9)
Decrease in trade and other payables	(1.2)	(0.4)
Cash generated from operating activities	66.9	65.2

9. Financial liabilities - borrowings

	2023 £'m	2022 £'m
Non-current		
Bank loans - secured	97.0	135.0
Other loans - secured	25.0	-
Deferred financing costs	(1.5)	(1.3)
	120.5	133.7

At 31 December 2022 the Group's financing arrangements comprised of a six lender syndicated £200m Revolving Credit Facility ("RCF") (due 30 April 2025). The RCF included an additional £50m uncommitted accordion and an overdraft facility of £1.5m with Barclays Bank plc. The RCF borrowings were subject to a floating interest rate, at SONIA, plus credit adjusted spread and a margin of 1.80% which can vary depending on the leverage the Group.

On the 27 January 2023, the Group extended the RCF maturity through to 30 April 2026. On the 28 March 2023, the Group entered into US Private Placements ("USPP") to raise £25m through the issue of secured notes at a fixed rate of 6.30% due 28 March 2028. This reduced the uncommitted accordion to £25m.

At 31 December 2023 the Group's financing arrangements therefore comprise a £200m RCF (due 30 April 2026) and £25m of USPP fixed rate secured notes (due 28 March 2028). £97m of drawn RCF debt and £25m of USPP fixed rate secured notes was outstanding at year-end. Committed but undrawn borrowings at 31 December 2023 amounted to £103.0m (2022: £65.0m). £1.5m of the overdraft facility was unutilised (2022: £1.5m).

Subsequent to the year-end, the Group has made the following changes to its financing arrangements. There was no material financial cost involved in executing these transactions.

- voluntarily cancelled £75m of the RCF, decreasing the RCF from £200m to £125m;
- extended the RCF to 30 April 2027; and
- entered into a £10m overdraft facility with Barclays Bank plc.

Under the borrowings facilities the Group was required to meet quarterly covenant tests in respect of interest cover and leverage. All covenant tests were met during the year.

Analysis of net debt	**2023 £'m**	2022 £'m
Cash at bank and in hand	22.7	30.2
Borrowings due within one year	-	-
Borrowings due after one year	(120.5)	(133.7)
Net debt	(97.8)	(103.5)

10. Provisions

	2023 £'m	2022 £'m
1 January	17.1	8.8
Additional provision	6.2	8.6
Acquired provision	-	0.2
Utilised	-	(0.3)
Released	(4.7)	(0.2)
31 December	18.6	17.1

The balance above represents dilapidation provisions which relate to the future anticipated costs to restore leased properties into their original state at the end of the lease term. Estimates are stated at nominal value and therefore the impact of discounting is not material. An increase in costs of 5% per square foot across the portfolio would result in an increase in the provision of £0.7m.

END

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