RNS Number : 4695Y
Restore PLC
31 July 2024

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**Restore plc**

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

**Half year results 2024**

Restore plc (AIM: RST), the UK's leading provider of digital and information management and secure lifecycle services, today announces its results for the half year ended 30 June 2024.

**SUMMARY OF RESULTS**

| | **H1 2024** | H1 2023 | Change |
|---|---|---|---|
| Revenue (£m) | **139.4** | 139.6 | - |
| Adjusted operating profit[1] (£m) | **23.6** | 21.7 | 9% |
| *Adjusted operating margin[2] (%)* | ***16.9%*** | *15.5%* | *140bps* |
| Adjusted profit before tax[3] (£m) | **16.3** | 15.1 | 8% |
| Statutory profit/(loss) before tax (£m) | **8.6** | (25.9) | n/a |
| Net debt[4] (£m) | **93.5** | 97.9 | 4% |
| Leverage[5] | **1.7x** | 1.8x | 6% |
| Adjusted basic earnings per share[6] (pence) | **9.0p** | 8.4p | 7% |
| Statutory basic earnings/(loss) per share (pence) | **4.7p** | (20.5p) | n/a |
| Dividend per share (pence) | **2.00p** | 1.85p | 8% |

**STRATEGY**

- Continued focus on improving operational and financial performance and maintaining good cash generation.
- Records Management property consolidation strategy progressing well:
  - First boxes moved into Markham Vale, our new 100,000 square foot facility, in Q2; on track to remove majority of boxes from our Redhill and Paddock Wood sites by year-end.
  - Planning for our next site consolidation now underway.
- New contract awarded with Department for Work and Pensions ("DWP") for inbound mail and document management services with a total minimum contract value of over £70m spanning six years, to start in FY25.
- Further actions undertaken to improve the operational efficiency and profitability of the Digital business:
  - Integration of the Digital business into Records Management; improve approach to market and reduce overheads.
  - Closure of Stockport site and significant reduction in scale of Manchester operation, and consolidation of activity into Wolverhampton sites; reduction in capacity to benefit utilisation without constraining growth.
  - Estimated integration costs of c£3m, primarily in 2024, and annualised cost savings of c£3m.

**TRADING PERFORMANCE**

- Group revenue broadly flat at £139.4m (H1 2023: £139.6m):
  - Digital and Information Management revenue of £87.5m (H1 2023: £85.1m); continued strong growth in Records Management storage revenues driven by RPI/CPI linked price rises. Box numbers were broadly flat at 22.5m. Digital is trading in line with expectations.
  - Secure Lifecycle Services revenue of £51.9m (H1 2023: £54.5m); Harrow Green impacted by slower commercial moves market and construction delays on projects, as previously anticipated. Datashred and Technology trading in line with expectations, recycled paper pricing continuing to improve.
- Adjusted operating profit of £23.6m (H1 2023: £21.7m), reflecting increased operating margins in Records Management and lower Group overheads.
- Continued strong cash conversion[7] of 84% with net debt of £93.5m; leverage decreased to 1.7x, well within the Groups target range.
- Interim dividend of 2.00 pence (H1 2023: 1.85 pence).

**CHARLES SKINNER, CEO, commented:**

*"We are executing well against our plans, including the changes in operating style. The changes have been significant and will therefore take time before they fully bear fruit. That said, the management team are revitalised and we are starting to see signs of improved performance. We continue to believe Restore should be targeting an adjusted operating margin of no less than 20% in the medium term.*

*Our expectations for the Group's full year performance remain unchanged and we continue to anticipate that all of our businesses, with the exception of Harrow Green, will deliver an improvement in adjusted operating margins in the current year as we work towards the Group's medium term goal."*

1) Calculated as statutory operating profit before adjusting items (reconciled below the condensed 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 the condensed 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 Net debt relative to adjusted EBITDA (defined in note 3)
6) 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).
7) Calculated as free cashflow divided by net operating profit after tax (reconciled below the condensed consolidated statement of cash flows)



**ENDS**

**Half year results presentations**

Restore will host a presentation for analysts and investors at 8.30am today which can be accessed via the details below:

https://www.investis-live.com/restoreplc/66447eca7e7bb30d006d42ef/tqwer

Conference call:

United Kingdom (Local): +44 20 3936 2999

United Kingdom (Toll-Free): +44 800 358 1035

Global Dial-In Numbers

Access Code: 269109

The presentation will be webcast live and a recording will be available after the event.

There will also be a presentation for private investors at 9.00am on Friday 2 August.

To register for the event, please follow this link.

A recording will be available shortly after the event here.

**For further information please contact:**


| | |
|---|---|
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**BUSINESS PERFORMANCE**

**Overview**
Revenue for H1 2024 was broadly flat at £139.4m (H1 2023: £139.6m).

Records Management achieved record revenues of £64.0m (H1 2023: £59.3m) driving an increase in the Digital and Information Management division's total revenues to £87.5m (H1 2023: £85.1m) despite Digital's revenues decreasing from £25.8m to £23.4m. The Secure Lifecycle Services division's revenues fell to £51.9m (H1 2023: £54.5m). Revenues in Technology were higher at £17.0m (H1 2023: £16.3m) while Datashred saw revenues fall to £17.5m (H1 2023: £18.6m), wholly attributable to the market decline in recycled paper prices. Revenues in the division were also impacted by reduced activity levels in Harrow Green, as anticipated, with revenues reducing to £17.4m (H1 2023: £19.6m).

Adjusted profit before tax increased to £16.3m from £15.1m in H1 2023, reflecting increased operating margins in Records Management and lower Group overheads. Apart from Records Management, our other operating businesses saw a decline in operating profit.

The strengths of Records Management are reflected in these results. We are confident that the changes undertaken over the last nine months and currently underway will improve operating profit performance across the other businesses. It is our firm view that the strength of the Records Management business should not subsidise underperformance elsewhere.

**Digital and Information Management**
Our Digital and Information Management division comprises Records Management and Digital. 2024 revenue was £87.5m (H1 2023: £85.1m), with adjusted operating profit of £24.6m (H1 2023: £20.9m), reflecting increased operating margins in Records Management.

*Records Management*
Records Management increased revenues by 8% to £64.0m in H1 2024. The number of boxes stored was broadly flat, with contractual price changes accounting for the revenue increase. Adjusted operating margins increased appreciably as a result of increased prices and strong cost control.

We are currently operating at 95% of box storage capacity (utilisation of the available capacity). Whilst we are seeing a higher level of destructions than in previous years, particularly from private sector clients, new box intake is offsetting this, leading to broadly stable box numbers. The rate of perm-outs (boxes transferred to competitors) is notably low. A stable number of boxes allows us to secure efficiencies from estate management and our property consolidation strategy.

During the period, we signed a long-term lease on a 100,000 square foot facility in Markham Vale, East Midlands, which has a capacity of 1.4m boxes. We have started decanting boxes from two of our most expensive legacy sites, Redhill and Paddock Wood, into this facility, where storage costs per box are far cheaper, resulting in an improvement in margins. This decanting operation is expected to be completed by the end of this year. 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; and we have started the search for a new large site for the next consolidation.

We have also started building work to expand our freehold site in Sittingbourne, Kent. We expect this to be completed within the next twelve months. This will give us more space at a comparatively low cost of capital in South-East England, where property values for our type of facility have accelerated sharply over the last decade.

*Digital*
Digital revenue in H1 2024 experienced a fall from £25.8m to £23.5m, despite large contracts being won with HMRC and the Land Registry. The overall reduction in major one-off contracts during the period accounts for the fall between the 2023 and 2024 revenues; this was particularly noticeable in the volume of work undertaken for the NHS. The impact of lower revenues was felt in operating margins, which also declined.

Accordingly, we have taken further action to improve Digital's profitability, in addition to the site closures undertaken in 2023. We are in the process of closing our Stockport facility and have recently announced the reduction in scale of our Manchester facility. These actions will simplify our operations to two primary facilities, both in Wolverhampton. By reducing our capacity, we are confident that utilisation rates will increase, driving up gross margins through improved efficiency.

We are pleased to announce a significant Digital contract win with the Department for Work and Pensions for the provision of inbound mail and document management services. The contract, valued at over £70 million (dependent on transactional volumes), spans six years and is expected to commence in H1 2025.

During the period, we were informed that we were unsuccessful in our bid to renew our contract with a government agency where we currently provide lower margin bulk scanning activities onsite at their two UK facilities. As a result, this contract will terminate at the end of 2024.

*Integration of Digital into Records Management*
It has become clear that the activities of our Records Management and Digital businesses, which comprise our Digital & Information Management division, increasingly overlap. We continue to see considerable demand from our customers to supply their physical records back to them in digital form, and our existing and potential customers also look to us to help them with choosing when and what digitisation to undertake. It is logical to combine these two businesses to facilitate the selling of both services as alternative rather than competing programmes and we have therefore recently announced to our people and customers that we will integrate them.

Overall, combining these two businesses will reduce overheads within the division, enabling a significant increase in the operating margin. Whilst detailed plans are being finalised, the integration process has started and is expected to be substantially complete within the next twelve months.

We estimate that the closure of the Stockport site and the scaling back of the Manchester site, together with the integration of the Digital business into Records Management, will incur one-off integration costs of c£3m, principally relating to redundancies and primarily incurred in 2024, and give rise to annualised cost savings in the order of £3m.

**Secure Lifecycle Services**
Our Secure Lifecycle Services division comprises Technology, Datashred and Harrow Green. Our H1 2024 revenue was £51.9m (H1 2023: £54.5m), with adjusted operating profit of £2.4m (H1 2023: £3.7m). All three businesses experienced specific headwinds and we are confident that the division's financial performance can be improved in the short term.

*Technology*
Technology increased revenues to £17.0m (H1 2023: £16.3m). We are beginning to see an increase in recycled IT equipment in line with an uptick in global IT sales. Profitability was marginally better than the prior period.

Technology is undergoing considerable operational change at present as we refocus its core activities on two main business streams: the recycling of end-of-life equipment for blue-chip customers, and providing IT lifecycle services to the end-customers of the large value-added IT resellers. To this end, we have repurposed our Bedford site to work exclusively on lifecycle customers, while Runcorn, Birmingham and Cannock focus on more traditional IT asset disposal activities. This is complemented by our destruction services in Bristol. As part of this process, we have ceased low-end recycling at Cannock. The switch in activity at Cannock meant that the facility continued to lose money during the changeover period, but it is now set up to operate profitably.

We have significantly improved the business information in Technology, enabling us to understand the profitability of individual activities. This exercise has also drawn attention to areas of inefficiency such as in transport, re-selling activities and specialist activities. We are in the process of introducing a new IT system such that all sites will be operating on the same system and stock can be monitored across the business.

Our lifecycle activities are growing fast. Our contract with CDW to provide lifecycle services to DWP has grown rapidly and we are starting to attract a broader base of value-added resellers to our capabilities. We believe there is significant opportunity in this business stream.

Our hard disk services at Ultratech and Ultratest continue to trade satisfactorily. Our engineering activities, primarily undertaking IT moves for our customers, have been slow but there is increasing crossover between their customer base and the wider business's customers, particularly in lifecycle activities which can be expected to drive activity and the wider business's customers, particularly in lifecycle activities which can be expected to drive activity.

*Datashred*
Datashred's revenues declined to £17.5m (H1 2023: £18.6m), wholly due to the average recycled paper price being £155/tonne compared to £220/tonne in the first half of 2023. The impact of this is a reduction in revenue and profit in excess of £1m. The paper price has recently improved and is now trading within longer term averages of £160-190/tonne; we expect this to now stabilise, providing a tailwind rather than a headwind over the next twelve months.

There have been several initiatives in Datashred which have started to yield benefits. Our site visits per vehicle are at record levels, reducing our transport costs and improving gross margins. Our closer relationships with the UK paper mills are helping us manage our paper-selling prices better. New business lines, including textile and other material shredding and disposal, is ramping up. Our new business sales, helped by more dynamic pricing, are strong, such that the number of visits we will undertake in 2024 will be ahead of 2023.

Datashred continues to have unique advantages in its market: a captive client in Records Management which typically supplies c10,000 tonnes of paper per annum to Datashred; the attractions of "chain of custody" to Group customers, knowing that documents can be stored, scanned and shredded by one trusted supplier; the opportunity to reduce rent costs by sharing paper collection sites with other Group businesses, typically Records Management sites; and the benefits of scale, which are so important to route-based businesses.

We remain confident that these structural advantages under the energetic management we have in place will strengthen our market position and lead to higher operating margins. The UK shredding industry remains comparatively unconsolidated and we intend to be the key player in this sector.

*Harrow Green*
Harrow Green's revenues fell to £17.4m (H1 2023: £19.6m) and this resulted in appreciably lower profitability, despite the successful completion of the laboratory move for a major pharmaceutical company.

Several major projects scheduled in 2024 have been postponed, not helped by the reluctance of customers to make major commitments in a General Election year. We also believe that the structural shift in working patterns will have a longer-term impact on Harrow Green's business, with a reduction in large one-off office moves in London for our large private sector customers.

We have addressed this by reducing headcount amongst our operatives, sales and support teams at our flagship London facility at Silvertown. We also continue to address key attractive markets, notably life sciences, where we are building a significant market position. As part of this, we have built a biobank to store customer's materials in our Cambridge branch; much of this specialist storage space has been pre-sold. We have also opened a new branch in Oxford which should reach profitability in its first year of operation. We also continue to develop our heritage capability where the predominantly public sector customer base is ill-equipped to cope with the volume of storage their assets require.

Harrow Green remains comfortably the preeminent operator in its industry and we expect that it will return to double-digit operating margins when activity levels pick up towards more normal levels.

**Outlook**

"We are executing well against our plans, including the changes in operating style. The changes have been significant and will therefore take time before they fully bear fruit. That said, the management team are revitalised and we are starting to see signs of improved performance. We continue to believe Restore should be targeting an adjusted operating margin of no less than 20% in the medium term.

Our expectations for the Group's full year performance remain unchanged and we continue to anticipate that all of our businesses, with the exception of Harrow Green, will deliver an improvement in adjusted operating margins in the current year as we work towards the Group's medium-term goal."

**FINANCIAL PERFORMANCE**

**Overview**
Revenue for the period ended 30 June 2024 was broadly flat at £139.4m (H1 2023: £139.6m). Adjusted profit before tax was £16.3m (H1 2023: £15.1m). On a statutory basis, the Group made a profit of £8.6m (H1 2023: loss of £25.9m). Good cash generation endures as a key strength of the Group with cash conversion of 84%.

**Revenue**

| **£m** | **H1 2024** | H1 2023 | Variance |
|---|---|---|---|
| Records Management | **64.0** | 59.3 | 4.7 |
| Digital | **23.5** | 25.8 | (2.3) |
| **Digital and Information Management** | **87.5** | 85.1 | 2.4 |
| Technology | **17.0** | 16.3 | 0.7 |
| Datashred | **17.5** | 18.6 | (1.1) |
| Harrow Green | **17.4** | 19.6 | (2.2) |
| **Secure Lifecycle Services** | **51.9** | 54.5 | (2.6) |
| **Total** | **139.4** | 139.6 | (0.2) |

**Adjusted profit**
Despite revenue in the Group being broadly flat, adjusted operating profit was up 9% at £23.6m (H1 2023: £21.7m) driven by pricing, particularly within Records Management, combined with cost control actions across all businesses and head office that were implemented towards the end of 2023. This was partially offset by the lower average recycled paper price of

that were implemented towards the end of 2023. This was partially offset by the lower average recycled paper price of £155/tonne in Datashred (H1 2023: £220/tonne).

Bank interest costs were slightly higher than last year at £4.6m (H1 2023: £4.4m). Despite the headwind of 1% higher average base rate, tighter cash management and actions taken to pay down the RCF facility (£80m drawn down as at 30 June 2024, compared to £97m as at 31 December 2023) and trim excess capacity to save facility fees (RCF facility of £125m as at 30 June 2024, compared to £200m as at 31 December 2023) mitigated some of the rate impact.

Consequently, the Group's adjusted profit before tax was £16.3m (H1 2023: £15.1m).

**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 these results 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** | **H1 2024** | H1 2023 |
|---|---|---|
| Impairment of non-current assets | **-** | 32.5 |
| Amortisation of intangible assets | **6.0** | 6.3 |
| Acquisition related transaction/advisory costs | **-** | 0.2 |
| Restructuring and redundancy costs | **0.7** | 1.0 |
| Property related costs | **0.4** | - |
| Strategic IT organisation costs | **0.6** | 1.0 |
| **Total** | **7.7** | 41.0 |

The largest component of adjusting items in H1 2023 related to an asset impairment of £32.5m, being a non-cash impairment of the goodwill in Datashred following a reassessment of its future growth expectations. There have not been any impairments in H1 2024.

There were no material acquisitions over the past 12 months and therefore the amortisation charge is broadly consistent. The lack of M&A activity has also driven a reduction in the acquisition transaction costs incurred during the period.

The restructuring started towards the end of 2023 to right size the Group completed in H1, resulting in restructuring and redundancy charges of £0.7m. Actions to improve the profitability of the Digital business, including the closure of two additional sites and integration of the business within Records Management, have now commenced and we estimate will cost around £3m, primarily incurred in 2024.

The Records Management property consolidation strategy commenced in H1 2024, leading to a charge of £0.4m relating to dual running costs for our new Markham Vale site and the logistics costs of moving the boxes from the sites we are exiting in Redhill and Paddock Wood.

Investment in the Group's new finance systems has largely completed following an early curtailment of the programme, with Harrow Green going live in June 2024. 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 profit before tax of £8.6m (H1 2023: statutory loss before tax of £25.9m).

**Net debt and leverage**
Net debt as at 30 June 2024 was £93.5m (H1 2023: £97.9m) with leverage decreasing from 1.8x to 1.7x.

| **£m** | **H1 2024** | H1 2023 |
|---|---|---|
| Net debt (£m) | **93.5** | 97.9 |
| Leverage | **1.7x** | 1.8x |

**Cashflow**
The Group generated free cashflow before financing costs of £14.9m (H1 2023: £14.0m). Net cash generated from operating activities was in line with H1 2023 at £31.9m.

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**Condensed consolidated statement of comprehensive income**

For the half year ended 30 June 2024

| | **Unaudited six months ended 30 June 2024 £'m** | Unaudited six months ended 30 June 2023 £'m | Audited year ended 31 December 2023 £'m |
|---|---|---|---|
| **Revenue - continuing operations** | **139.4** | 139.6 | 277.1 |
| Cost of sales | **(77.5)** | (80.1) | (160.7) |
| Gross profit | **61.9** | 59.5 | 116.4 |

| | | | |
|---|---|---|---|
| Gross profit | **61.9** | 59.5 | 116.4 |
| Administrative expenses | **(45.8)** | (46.3) | (94.4) |
| Movement in trade receivables loss allowance | **(0.1)** | - | (0.7) |
| Impairment of non-current assets | **-** | (32.5) | (36.3) |
| **Operating profit/(loss)** | **16.0** | (19.3) | (15.0) |
| Finance costs | **(7.4)** | (6.6) | (14.0) |
| **Profit/(loss) before tax** | **8.6** | (25.9) | (29.0) |
| Taxation | **(2.2)** | (2.2) | (1.7) |
| **Profit/(loss) after tax** | **6.4** | (28.1) | (30.7) |
| Other comprehensive profit/(loss) | **0.1** | - | (0.1) |
| **Total comprehensive income/(loss) for the period from continuing operations and profit/(loss) attributable to owners of the parent** | **6.5** | (28.1) | (30.8) |
| **Earnings/(loss) per share attributable to owners of the parent (pence)** | | | |
| **Total - basic** | **4.7p** | (20.5p) | (22.5p) |
| **Total - diluted** | **4.7p** | (20.5p) | (22.5p) |

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

| | **Unaudited six months ended 30 June 2024 £'m** | Unaudited six months ended 30 June 2023 £'m | Audited year ended 31 December 2023 £'m |
|---|---|---|---|
| **Operating profit/(loss)** | **16.0** | (19.3) | (15.0) |
| Adjusting items - administrative expenses | **1.6** | 2.2 | 10.8 |
| Adjusting items - amortisation of intangible assets | **6.0** | 6.3 | 12.2 |
| Adjusting items - impairment | **-** | 32.5 | 36.3 |
| Total adjusting items | **7.6** | 41.0 | 59.3 |
| **Adjusted operating profit** | **23.6** | 21.7 | 44.3 |
| | | | |
| Adjusted operating profit | **23.6** | 21.7 | 44.3 |
| Tax at 25% (2023: 23.5%) | **(5.9)** | (5.1) | (10.4) |
| **NOPAT (Net operating profit after tax)** | **17.7** | 16.6 | 33.9 |
| | | | |
| **Profit/(loss) before tax** | **8.6** | (25.9) | (29.0) |
| Adjusting items (as stated above) | **7.6** | 41.0 | 59.3 |
| Adjusting items - finance costs | **0.1** | - | - |
| **Adjusted profit before tax** | **16.3** | 15.1 | 30.3 |

**Condensed consolidated statement of financial position**

At 30 June 2024

Company registered no. 05169780

| | **Unaudited 30 June 2024 £'m** | Unaudited 30 June 2023 Restated* £'m | Audited 31 December 2023 Restated* £'m | Audited 31 December 2022 Restated* £'m |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | **279.9** | 293.5 | 284.7 | 331.9 |
| Property, plant and equipment | **79.6** | 80.5 | 79.4 | 79.7 |
| Right of use assets | **114.8** | 110.3 | 109.0 | 113.7 |
| Other receivables | **4.7** | 5.0 | 5.2 | 5.1 |
| | **479.0** | 489.3 | 478.3 | 530.4 |
| **Current assets** | | | | |
| Inventories | **1.5** | 2.2 | 1.5 | 2.0 |
| Trade and other receivables | **65.4** | 61.8 | 63.1 | 64.9 |
| Cash and cash equivalents | **10.0** | 25.3 | 22.7 | 30.2 |
| Current tax assets | **-** | 0.3 | 1.2 | - |
| | **76.9** | 89.6 | 88.5 | 97.1 |
| **Total assets** | **555.9** | 578.9 | 566.8 | 627.5 |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | **(46.2)** | (49.6) | (44.9) | (49.1) |
| Financial liabilities - lease liabilities | **(20.2)** | (27.1) | (24.9) | (18.9) |
| Derivative liability | **-** | - | (0.1) | - |
| Current tax liabilities | **(0.1)** | - | - | (1.6) |
| Provisions | **(5.3)** | (1.7) | (4.4) | (1.7) |
| | **(71.8)** | (78.4) | (74.3) | (71.3) |
| **Non-current liabilities** | | | | |
| Financial liabilities - borrowings | **(103.5)** | (123.2) | (120.5) | (133.7) |
| Financial liabilities - lease liabilities | **(108.8)** | (94.9) | (98.2) | (105.1) |
| Deferred tax liability | **(27.4)** | (30.4) | (29.3) | (30.9) |
| Provisions | **(12.5)** | (15.8) | (14.2) | (15.4) |
| Other payables | **(0.2)** | (0.3) | (0.4) | (0.1) |
| | **(252.4)** | (264.6) | (262.6) | (285.2) |
| **Total liabilities** | **(324.2)** | (343.0) | (336.9) | (356.5) |
| **Net assets** | **231.7** | 235.9 | 229.9 | 271.0 |
| **EQUITY** | | | | |
| Share capital | **6.8** | 6.8 | 6.8 | 6.8 |
| Share premium | **187.9** | 187.9 | 187.9 | 187.9 |
| Other reserves | **1.4** | 6.5 | 3.7 | 6.9 |
| Retained earnings | **35.6** | 34.7 | 31.5 | 69.4 |
| **Total equity** | **231.7** | 235.9 | 229.9 | 271.0 |

*Refer to Note 1 for details of the restatement

**Condensed consolidated statement of changes in equity**

For the half year ended 30 June 2024

| | 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 2023 as previously stated | 6.8 | 187.9 | 6.9 | 71.6 | 273.2 |
| Restatement (refer to note 1) | - | - | - | (2.2) | (2.2) |
| Balance at 1 January 2023 restated | 6.8 | 187.9 | 6.9 | 69.4 | 271.0 |
| Loss for the period | - | - | - | (28.1) | (28.1) |
| Total comprehensive loss for the period | - | - | - | (28.1) | (28.1) |
| Transactions with owners: | | | | | |
| Dividends | - | - | - | (6.6) | (6.6) |
| Share-based payments charge | - | - | (0.4) | - | (0.4) |
| Balance at 30 June 2023 (unaudited) (restated) | 6.8 | 187.9 | 6.5 | 34.7 | 235.9 |

| | | | | | |
|---|---|---|---|---|---|
| Balance at 1 July 2023 (restated) | 6.8 | 187.9 | 6.5 | 34.7 | 235.9 |
| Loss for the period | - | - | - | (2.6) | (2.6) |
| Other comprehensive loss | - | - | (0.1) | - | (0.1) |
| Total comprehensive loss for the period | - | - | (0.1) | (2.6) | (2.7) |
| Transactions with owners: | | | | | |
| Dividends | - | - | - | (2.5) | (2.5) |
| Share-based payments charge | - | - | (0.1) | - | (0.1) |
| 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 (audited) (restated) | 6.8 | 187.9 | 3.7 | 31.5 | 229.9 |
| Balance at 1 January 2024 (restated) | 6.8 | 187.9 | 3.7 | 31.5 | 229.9 |
| Profit for the period | - | - | - | 6.4 | 6.4 |
| Other comprehensive income | - | - | 0.1 | - | 0.1 |
| Total comprehensive income for the period | - | - | 0.1 | 6.4 | 6.5 |
| Transactions with owners: | | | | | |
| Dividends | - | - | - | (4.6) | (4.6) |
| Share-based payments charge | - | - | 0.7 | - | 0.7 |
| Transfer* | - | - | (2.4) | 2.4 | - |
| Purchase of treasury shares | - | - | (0.8) | - | (0.8) |
| Disposal of treasury shares | - | - | 0.1 | (0.1) | - |
| **Balance at 30 June 2024 (unaudited)** | 6.8 | 187.9 | 1.4 | 35.6 | 231.7 |

*In the period ended 30 June 2024 a net amount of £2.4 million was reclassified from share-based payment reserve to retained earnings in respect of lapsed and exercised options (year ended 31 December 2023: £3.3m)

**Condensed consolidated statement of cash flows**

For the half year ended 30 June 2024

| | **Unaudited six months ended 30 June 2024 £'m** | Unaudited six months ended 30 June 2023 £'m | Audited year ended 31 December 2023 £'m |
|---|---|---|---|
| **Cash generated from operating activities** | **31.9** | 32.5 | 66.9 |
| Net finance costs | **(7.6)** | (5.5) | (12.8) |
| Income taxes paid | **(2.7)** | (4.8) | (6.3) |
| **Net cash generated from operating activities** | **21.6** | 22.2 | 47.8 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment and applications software IT | **(5.7)** | (5.6) | (10.3) |
| Purchase of subsidiary undertakings, net of cash acquired | **-** | (1.1) | (1.3) |
| Purchase of trade and assets | **(0.6)** | - | (0.4) |
| **Net cash used in investing activities** | **(6.3)** | (6.7) | (12.0) |
| **Cash flows from financing activities** | | | |
| Dividends paid | **-** | - | (9.1) |
| Purchase of treasury shares | **(0.8)** | (0.2) | (0.6) |
| Proceeds from disposal of treasury shares | **-** | 0.1 | 0.1 |
| Repayment of revolving credit facility | **(17.0)** | (35.0) | (48.0) |
| Drawdown of revolving credit facility | **-** | - | 10.0 |
| Drawdown of US Private Placement notes facility | **-** | 25.0 | 25.0 |
| Lease principal repayments | **(10.2)** | (10.3) | (20.7) |

| | | | |
|---|---|---|---|
| **Net cash used in financing activities** | **(28.0)** | (20.4) | (43.3) |
| **Net decrease in cash and cash equivalents** | **(12.7)** | (4.9) | (7.5) |
| **Cash and cash equivalents at start of period** | **22.7** | 30.2 | 30.2 |
| **Cash and cash equivalents at end of period** | **10.0** | 25.3 | 22.7 |

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

| | **Unaudited six months ended 30 June 2024 £'m** | Unaudited six months ended 30 June 2023 £'m | Audited year ended 31 December 2023 £'m |
|---|---|---|---|
| **Cash generated from operating activities** | **31.9** | 32.5 | 66.9 |
| Income taxes paid | **(2.7)** | (4.8) | (6.3) |
| Purchase of property, plant and equipment and applications software IT | **(5.7)** | (5.6) | (10.3) |
| Lease principal repayments | **(10.2)** | (10.3) | (20.7) |
| Add back: Cash impact of adjusting items - administrative expenses | **1.6** | 2.2 | 7.7 |
| **Free cashflow** | **14.9** | 14.0 | 37.3 |
| NOPAT (Net operating profit after tax) | **17.7** | 16.6 | 33.9 |
| **Cash conversion** | **84%** | 84% | 110% |

**Notes to the condensed interim financial statements**
For the half year ended 30 June 2024

**1. Basis of preparation**

The condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, adopting accounting policies that are consistent with those of the previous financial year and corresponding half year reporting period. The condensed interim financial statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006.

The information for the year ended 31 December 2023 is based on audited statutory accounts which have been filed with the Registrar of Companies. The Auditor's report for 2023 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 six-month period to 30 June 2024 and 30 June 2023 was unaudited.

The condensed interim 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 condensed interim financial statements are presented in pounds sterling and, unless stated otherwise, shown in pounds million to one decimal place. The principal risks impacting the Group during the period remain unchanged from those disclosed in the 31 December 2023 Annual Report.

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

The Group's operations are not normally affected by significant seasonal variations between the first and second halves of the calendar year.

The condensed interim financial statements were approved by the Board of Directors on 30 July 2024.

**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 condensed interim financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the condensed interim 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 31 December 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 latest outlook for H2 2024 and forecasts for 2025 show that the Group is expected to operate within the level of its current facilities.

**Prior period restatements**

***IFRS 16 lease modifications***

During the first half of 2024 it was noted that a small number of lease modifications had not been appropriately recorded in prior periods. The right of use assets and lease liabilities have therefore been restated as at 31 December 2023, 30 June 2023 and 31 December 2022 to appropriately record these transactions. There is no profit impact to the reported 2023 numbers as the incorrect modifications relate to preceding periods.

| | As reported 31 December 2023 £m | Impact of restatement 31 December 2023 £m | Restated 31 December 2023 £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Right of use assets | 91.6 | 17.4 | 109.0 |
| **Current liabilities** | | | |
| Lease liabilities | (18.6) | (6.3) | (24.9) |
| **Non-current liabilities** | | | |
| Lease liabilities | (84.9) | (13.3) | (98.2) |
| **Equity** | | | |
| Retained earnings | 33.7 | (2.2) | 31.5 |

| | As reported 30 June 2023 £m | Impact of restatement 30 June 2023 £m | Restated 30 June 2023 £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Right of use assets | 95.6 | 14.7 | 110.3 |
| **Current liabilities** | | | |
| Lease liabilities | (21.6) | (5.5) | (27.1) |
| **Non-current liabilities** | | | |
| Lease liabilities | (83.5) | (11.4) | (94.9) |
| **Equity** | | | |
| Retained earnings | 36.9 | (2.2) | 34.7 |

| | As reported 31 December 2022 £m | Impact of restatement 31 December 2022 £m | Restated 31 December 2022 £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Right of use assets | 106.8 | 6.9 | 113.7 |
| **Current liabilities** | | | |
| Lease liabilities | (19.2) | 0.3 | (18.9) |
| **Non-current liabilities** | | | |
| Lease liabilities | (95.7) | (9.4) | (105.1) |
| **Equity** | | | |
| Retained earnings | 71.6 | (2.2) | 69.4 |

The above restatements did not result in changes to the cash flows reported in any of the periods. There was also no impact noted to the reported profit or earnings per share in 2023.

***Classification of contract assets and liabilities***

In the second half of 2023, 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. As a result, the 30 June 2023 half year comparative information has also been restated to be consistent with the presentation reported as at 31 December 2023.

| | As reported 30 June 2023 £m | Impact of restatement 30 June 2023 £m | Restated 30 June 2023 £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Other receivables | - | 5.0 | 5.0 |
| **Current assets** | | | |
| Trade and other receivables | 66.8 | (5.0) | 61.8 |
| **Current liabilities** | | | |
| Trade and other payables | (49.9) | 0.3 | (49.6) |
| **Non-current liabilities** | | | |
| Other payables | - | (0.3) | (0.3) |

The restatement did not result in any change to reported profit, earnings per share, net assets or cash flows reported in the period to June 2023.

**New standards, interpretations and amendments adopted by the Group**

The following new amendments to standards were effective for the first time from 1 January 2024:

- Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants to IAS 1;
- Supplier Finance arrangement - Amendments to IAS 7 and IFRS 7; and
- Lease liability in sale and leaseback - Amendments to IFRS 16.

These amendments are not considered to have a material impact on the condensed interim financial statements.

**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 | Six months ended 30 June 2024 £'m | Six months ended 30 June 2023 £'m | Year ended 31 December 2023 £'m |
|---|---|---|---|
| Records Management | **64.0** | 59.3 | 124.1 |
| Digital | **23.5** | 25.8 | 46.0 |
| Digital & Information Management | **87.5** | 85.1 | 170.1 |
| Technology | **17.0** | 16.3 | 31.1 |
| Datashred | **17.5** | 18.6 | 35.9 |
| Harrow Green | **17.4** | 19.6 | 40.0 |
| Secure Lifecycle Services | **51.9** | 54.5 | 107.0 |
| Total revenue | **139.4** | 139.6 | 277.1 |

For the period ended 30 June 2024 no customers individually accounted for more than 3% of the Group's total revenue (H1 2023: 3%; year to 31 December 2023: 3%).

The Group had sales of goods of £14.0m relating to the sale of recycled paper and recycled IT assets (H1 2023: £14.2m; year to 31 December 2023: £27.4m). The remainder of revenue relates to the sales of services

**Segmental information**

| Profit/(loss) before tax | Six months ended 30 June 2024 £'m | Six months ended 30 June 2023 Restated* £'m | Year ended 31 December 2023 £'m |
|---|---|---|---|
| Digital & Information Management | **23.9** | 20.9 | 36.1 |
| Secure Lifecycle Services | **2.2** | 3.2 | 5.4 |
| Central | **(4.1)** | (4.6) | (8.0) |
| Adjusting items - amortisation and impairment of non-current assets | **(6.0)** | (38.8) | (48.5) |
| Operating profit/(loss) | **16.0** | (19.3) | (15.0) |
| Finance costs | **(7.4)** | (6.6) | (14.0) |
| Profit/(loss) before tax | **8.6** | (25.9) | (29.0) |

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

| Digital & Information Management | Six months ended 30 June 2024 £'m | Six months ended 30 June 2023 Restated* £'m | Year ended 31 December 2023 £'m |
|---|---|---|---|
| Operating profit | **23.4** | 20.3 | 35.2 |
| Adjusting items | **1.2** | 0.6 | 5.7 |
| Adjusted operating profit | **24.6** | 20.9 | 40.9 |
| Revenue | **87.5** | 85.1 | 170.1 |
| Adjusted operating margin | **28%** | 25% | 24% |

| Secure Lifecycle Services | Six months ended 30 June 2024 £'m | Six months ended 30 June 2023 Restated* £'m | Year ended 31 December 2023 £'m |
|---|---|---|---|
| Operating profit | **2.0** | 3.0 | 5.0 |
| Adjusting items | **0.4** | 0.7 | 1.2 |
| Adjusted operating profit | **2.4** | 3.7 | 6.2 |
| Revenue | **51.9** | 54.5 | 107.0 |
| Adjusted operating margin | **5%** | 7% | 6% |

*The 30 June 2023 balances in the segmental information tables above have been restated to ensure consistent presentation with the disclosures in the year ended 31 December 2023.

| **30 June 2024** | **Digital & Information Management £'m** | **Secure Lifecycle Services £'m** | **Central £'m** | **Total £'m** |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| Segment assets | **432.2** | **126.2** | **(2.5)** | **555.9** |
| Segment liabilities | **131.4** | **50.6** | **142.2** | **324.2** |
| Capital expenditure | **4.6** | **1.0** | **0.1** | **5.7** |
| Depreciation and amortisation | **15.8** | **5.2** | **0.3** | **21.3** |
| Impairment | **-** | **-** | **-** | **-** |

| **30 June 2023 (restated)**** | **Digital & Information Management £'m** | **Secure Lifecycle Services £'m** | **Central £'m** | **Total £'m** |
|---|---|---|---|---|
| Segment assets | 446.2 | 120.8 | 11.9 | 578.9 |
| Segment liabilities | 125.7 | 53.9 | 163.4 | 343.0 |
| Capital expenditure | 4.4 | 1.1 | 0.1 | 5.6 |
| Depreciation and amortisation | 16.3 | 6.4 | 0.2 | 22.9 |
| Impairment | - | - | 32.5 | 32.5 |

| **31 December 2023 (restated)**** | **Digital & Information Management £'m** | **Secure Lifecycle Services £'m** | **Central £'m** | **Total £'m** |
|---|---|---|---|---|
| Segment assets | 442.6 | 119.6 | 4.6 | 566.8 |
| Segment liabilities | 132.9 | 48.0 | 156.0 | 336.9 |
| 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 |

** The 2023 information in the segmental balance sheet information tables above has been restated to reflect the restatements reported in note 1.

**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:

| | **Six months ended 30 June 2024 £'m** | Six months ended 30 June 2023 £'m | Year ended 31 December 2023 £'m |
|---|---|---|---|
| Impairment of non-current assets | **-** | 32.5 | 36.3 |
| Amortisation of intangible assets | **6.0** | 6.3 | 12.2 |
| Acquisition related transaction/advisory costs | **-** | 0.2 | 0.2 |
| Restructuring and redundancy costs | **0.7** | 1.0 | 5.9 |
| Property related costs | **0.4** | - | 3.1 |
| Strategic IT reorganisation costs | **0.6** | 1.0 | 1.6 |
| Total | **7.7** | 41.0 | 59.3 |

*Impairment of non-current assets*
In the prior period there was a non-cash impairment of goodwill in the Datashred CGU (£32.5m) resulting from reduced expectations on service activity, paper volumes and recycled paper pricing. Given the overall quantum of the impairment charge and its non-cash nature, this cost was adjusted for in deriving the Group's alternative performance measures. No impairments have been noted in the current period.

*Amortisation of intangible assets*
The amortisation charge primarily relates to acquired intangible assets arising from business combinations in prior periods. 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/advisory costs*
Acquisition related transaction and advisory costs primarily relate to legal, due diligence, financing and other advisory costs incurred in association with business 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 costs*
Restructuring and redundancy adjustments relate primarily to the Group-wide organisational restructuring and "right-sizing" programme which has been ongoing across the Group since 2023 and has continued into 2024. 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*

A strategic consolidation of the Group's property estate is ongoing. During 2024, the costs from this exercise and in particular the costs from the move into the Markham Vale site are £0.6m. Future cost savings are expected from the site consolidation 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.

*Strategic IT reorganisation costs*
In 2024 the Group is completing its 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 being £0.6m for H1 2024 (H1 2023: £1.0m). 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.

The Group's APMs are summarised below:

| **APMs** | **Description** |
|---|---|
| Adjusted operating profit | Calculated as statutory operating profit before adjusting items. |
| Net operating profit after tax ("NOPAT") | Calculated as adjusted operating profit with a standard tax charge applied. APM used for calculation of cash conversion. |
| Adjusted EBITDA | Calculated as EBITDA before IFRS16 and share-based payments. APM used for calculation of leverage, in line with the calculation of financial debt covenants. |
| Adjusted profit before tax | Calculated as statutory profit before tax and before adjusting items. |
| Adjusted basic earnings per share | Calculated as adjusted profit before tax with a standard tax charge applied, divided by the weighted average number of shares in issue. |
| Adjusted fully diluted earnings per share | Calculated as adjusted profit before tax with a standard tax charge applied, divided by the weighted average fully diluted number of shares in issue. |
| Net debt | Calculated as external borrowings less cash, excluding the effects of lease obligations under IFRS16. |
| Leverage | Calculated as adjusted EBITDA divided by net debt, including a pro-forma adjustment to EBITDA for acquisitions in line with financial debt covenants. |
| Free cashflow | Calculated as cash generated from operations less income taxes paid, capital expenditure and lease payments, but before the cash impact of adjusting items |
| Cash conversion | Calculated as free cashflow divided by NOPAT. |

The Group's APMs should be considered as supplementary to statutory measures and readers of the accounts should note the limitations of the measures and that they are not comparable across companies.

**4. Taxation**

The income tax expense comprises:

| | **Six months ended 30 June 2024 £'m** | Six months ended 30 June 2023 £'m | Year ended 31 December 2023 £'m |
|---|---|---|---|
| Current tax expense | **4.1** | 2.2 | 3.5 |
| Deferred tax credit | **(1.9)** | - | (1.8) |
| Total tax expense | **2.2** | 2.2 | 1.7 |

Tax for the six months ended 30 June 2024 is determined based on applying full year estimates of the annual effective tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 30 June 2024 is 25%, (30 June 2023: 23.5%; 31 December 2023 23.5%).

**5. Earnings/(loss) per share attributable to owners of the parent**

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

| | **Six months ended 30 June 2024 £'m** | Six months ended 30 June 2023 £'m | Year ended 31 December 2023 £'m |
|---|---|---|---|
| Total profit/(loss) for the period (£'m) | **6.4** | (28.1) | (30.7) |
| Total basic earnings/(loss) per share (pence) | **4.7** | (20.5) | (22.5) |
| Weighted average number of shares in issue | **136,312,349** | 136,924,067 | 136,580,425 |
| Dilutive options (number) | **1,446,316** | 663,859 | 722,328 |
| Weighted average fully diluted number of shares in issue | **137,758,665** | 137,587,926 | 137,302,753 |
| Total fully diluted earnings/(loss) per share (pence) | **4.7** | (20.5) | (22.5) |

**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:

| | **Six months ended 30 June 2024 £'m** | Six months ended 30 June 2023 £'m | Year ended 31 December 2023 £'m |
|---|---|---|---|
| Profit/(loss) before tax | **8.6** | (25.9) | (29.0) |
| Adjusting items - administrative expenses | **1.6** | 2.2 | 10.8 |
| Adjusting items - amortisation of intangible assets | **6.0** | 6.3 | 12.2 |
| Adjusting items - impairment | **-** | 32.5 | 36.3 |
| Adjusting items - finance costs | **0.1** | - | - |
| Adjusted profit before tax | **16.3** | 15.1 | 30.3 |

The adjusted earnings per share and adjusted fully diluted earnings per share is based on the weighted average number of shares in issue during the year of 136.3m (June 2023: 136.9m; December 2023: 136.6m) and weighted average fully diluted number of shares in issue during the year of 137.8m (June 2023: 137.6m; December 2023 137.3m) respectively, are calculated below using a standard tax charge:

| | **Six months ended 30 June 2024 £'m** | Six months ended 30 June 2023 £'m | Year ended 31 December 2023 £'m |
|---|---|---|---|
| Adjusted profit before tax (£'m) | **16.3** | 15.1 | 30.3 |
| Tax at 25.0% (2023: 23.5%) (£'m) | **(4.1)** | (3.6) | (7.1) |
| Adjusted profit after tax (£'m) | **12.2** | 11.5 | 23.2 |
| Adjusted basic earnings per share (pence) | **9.0** | 8.4 | 17.0 |
| Adjusted fully diluted earnings per share (pence) | **8.9** | 8.4 | 16.9 |

**6. Dividends**

In respect of the current period, the Directors declare an interim dividend of 2.00p per share (H1 2023: 1.85p). The estimated dividend to be paid is £2.8m (H1 2023: £2.5m) and will be paid on 23 October 2024 to shareholders on the register on 20 September 2024.

**7. Intangible assets**

| | **Goodwill £'m** | **Customer relationships £'m** | **Trade names £'m** | **Applications software IT £'m** | **Total £'m** |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| 1 January 2023 | 219.1 | 177.9 | 4.3 | 10.7 | 412.0 |
| Additions | - | - | - | 0.4 | 0.4 |
| Disposals | - | - | - | - | - |
| 30 June 2023 | 219.1 | 177.9 | 4.3 | 11.1 | 412.4 |
| Additions | - | 0.4 | - | 0.2 | 0.6 |
| Disposals | - | - | - | (0.2) | (0.2) |
| 31 December 2023 | 219.1 | 178.3 | 4.3 | 11.1 | 412.8 |
| Additions | - | 0.6 | - | 0.6 | 1.2 |
| Disposals | - | - | - | - | - |
| 30 June 2024 | 219.1 | 178.9 | 4.3 | 11.7 | 414.0 |
| **Accumulation amortisation and impairment** | | | | | |
| 1 January 2023 | 17.6 | 53.0 | 3.0 | 6.5 | 80.1 |
| Charge for the year | - | 5.4 | 0.1 | 0.8 | 6.3 |
| Disposals | - | - | - | - | - |
| Impairment | 32.5 | - | - | - | 32.5 |
| 30 June 2023 | 50.1 | 58.4 | 3.1 | 7.3 | 118.9 |
| Charge for the year | - | 5.4 | 0.1 | 0.4 | 5.9 |
| Disposals | - | - | - | (0.2) | (0.2) |
| Impairment | - | 3.5 | - | - | 3.5 |
| 31 December 2023 | 50.1 | 67.3 | 3.2 | 7.5 | 128.1 |
| Charge for the year | - | 5.0 | - | 1.0 | 6.0 |
| Disposals | - | - | - | - | - |
| Impairment | - | - | - | - | - |
| 30 June 2024 | 50.1 | 72.3 | 3.2 | 8.5 | 134.1 |

**Carrying amount**

| | | | | | |
|---|---|---|---|---|---|
| 30 June 2024 | 169.0 | 106.6 | 1.1 | 3.2 | 279.9 |
| 31 December 2023 | 169.0 | 111.0 | 1.1 | 3.6 | 284.7 |
| 30 June 2023 | 169.0 | 119.5 | 1.2 | 3.8 | 293.5 |

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.

Goodwill is tested annually for impairment, or more frequently if there are indicators that an impairment may be required; the Group conduct the annual assessment in line with our full year reporting at 31 December. At June 2024, we have therefore reviewed whether there are any indicators of impairment present at the CGU level. Our conclusion is that there are only indicators present in the Harrow Green CGU, where trading headwinds have led to a challenging first six months. The other CGU's have performed broadly in line with expectations and there are no other external or market factors that would indicate an impairment.

An impairment review was therefore conducted over the carrying values of the Harrow Green CGU including downside scenario modelling, which indicated that no impairment was required at 30 June 2024. We have not identified any reasonably possible changes that would result in an impairment for the Harrow Green CGU.

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. Therefore, there are no overriding changes to key assumptions built into the forecasts and no specific sensitivities relating to climate change are considered necessary.

At December 2023, the following impairments were recorded:

- 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.
- 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.

**8. Cash generated from operating activities**

| | **Six months ended 30 June 2024 £'m** | Six months ended 30 June 2023 £'m | Year ended 31 December 2023 £'m |
|---|---|---|---|
| Profit/(loss) before tax | **8.6** | (25.9) | (29.0) |
| Depreciation of property, plant and equipment and right-of-use assets | **15.3** | 16.6 | 32.8 |
| Amortisation of intangible assets | **6.0** | 6.3 | 12.2 |
| Impairment charge | **-** | 32.5 | 36.3 |
| Net finance costs | **7.4** | 6.6 | 14.0 |
| Share-based payment charge/(credit) (including related NI) | **0.9** | (0.7) | - |
| Share-based payment settlement | **(0.1)** | (0.4) | (0.7) |
| Profit on sale of fixed assets | **-** | - | 0.2 |
| (Increase)/decrease in inventories | **-** | (0.3) | 0.5 |
| (Increase)/decrease in trade and other receivables | **(1.7)** | 3.2 | 1.8 |
| Decrease in trade and other payables | **(4.5)** | (5.4) | (1.2) |
| Cash generated from operating activities | **31.9** | 32.5 | 66.9 |

**9. Financial liabilities - borrowings**

| **Borrowings** | **Six months ended 30 June 2024 £'m** | Six months ended 30 June 2023 £'m | Year ended 31 December 2023 £'m |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Non-current: | | | |
| Bank loans | **80.0** | 100.0 | 97.0 |
| Other loans (US private placement) | **25.0** | 25.0 | 25.0 |
| Deferred financing costs | **(1.5)** | (1.8) | (1.5) |
| | **103.5** | 123.2 | 120.5 |

| **Analysis of net debt** | **Six months ended 30 June 2024 £'m** | Six months ended 30 June 2023 £'m | Year ended 31 December 2023 £'m |
|---|---|---|---|
| Cash at bank and in hand | **10.0** | 25.3 | 22.7 |
| Borrowings due after one year | **(103.5)** | (123.2) | (120.5) |
| Net debt | **(93.5)** | (97.9) | (97.8) |

During the half year to June 2024, the Group made the following changes to its financing arrangements. There was no material financial cost involved in executing these transactions:

- voluntarily cancelled £75m of the Revolving Credit Facility ("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 these changes, the Group has £150m of available facilities, which the Group believes is ample given its 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.

**10. Provisions**

| | **Six months ended 30 June 2024 £'m** | Six months ended 30 June 2023 £'m | Year ended 31 December 2023 £'m |
|---|---|---|---|
| Opening | **18.6** | 17.1 | 17.1 |
| Created | **-** | 0.4 | 6.2 |
| Utilised | **(0.6)** | - | - |
| Released | **(0.2)** | - | (4.7) |
| Closing | **17.8** | 17.5 | 18.6 |

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.

**11. Events occurring after the reporting period**

Subsequent to reporting period end, the Group's Employee Benefit Trust ("EBT") purchased 680,000 shares in the Company for future satisfaction of options to employees granted under the Group's Share Option Plans. These shares will be accounted for as treasury shares. The number of shares held in the EBT as at 30 June 2024 was 611,718.



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