Restore

Records Digital Technology Datashred Relocation

Annual Report

for the year ended
31 December 2023

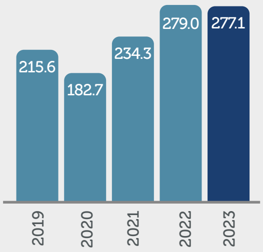
Simple but
not easy

The UK's leading provider of document management, secure recycling, and relocation services.

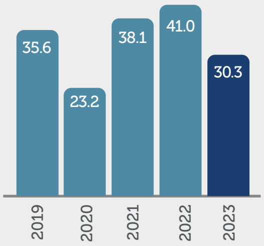
For more information please see www.restoreplc.com

Summary

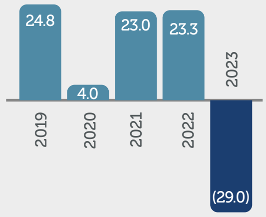
Revenue (£m)



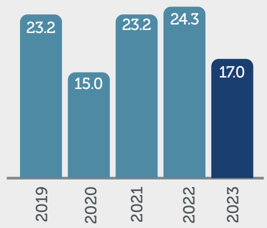
Adjusted profit before tax[1] (£m)



Statutory profit/(loss) before tax (£m)



Adjusted basic earnings per share[2] (pence)



Trading performance

- Revenue for the Group was broadly flat at £277.1m (2022: £279.0m):
  - Digital and Information Management revenue was £170.1m, £1.9m higher than 2022. Our Records Management business achieved record revenue in the year but our Digital business was impacted by fewer major scanning projects than 2022.
  - Secure Lifecycle Services revenue was £107.0m, £3.8m lower than 2022. Our Harrow Green business also achieved record revenue in the year but overall divisional revenue decline was driven by slower activity in the IT replacement market in Technology plus lower recycled paper prices in Datashred.
- Adjusted profit before tax declined by 26.1% to £30.3m. Despite strong adjusted operating profits[3] in the Records Management and Harrow Green businesses, the decline in revenue in our other businesses impacted profit alongside an initial lack of focus on our cost base. Additionally, progressively rapid increases in the Bank of England base rate during 2023 have significantly increased the interest burden, driving an increase in total finance costs from £10.9m in 2022 to £14.0m in 2023.
- Statutory loss before tax was £29.0m (2022: statutory profit before tax of £23.3m) driven by £59.3m of adjusting items, including a £32.5m non-cash impairment of goodwill related to the Datashred business, £12.2m relating primarily to the non-cash amortisation of acquired intangible assets and £5.9m in relation to restructuring in the Group.
- Net debt[4] reduced by £5.7m to £97.8m. In March 2024, the Group enacted changes to its financing arrangements in order to more appropriately match the facilities to the Group's needs – refer to page 27 for further details.

Focus of the new management team

All

- Increase adjusted operating margins[5] in both divisions and across all businesses.
- Reduce surplus overheads across the Group.
- Target adjusted operating margins in excess of 15% in both divisions and for all businesses apart from Harrow Green in the medium-term.
- Review growth opportunities once divisional performance has been optimised.

Digital and Information Management

- Direct sales energy to key market opportunities, such as government departments still undertaking in-house records management, in Records Management.
- Leverage Digital's unique strengths in its market.

Secure Lifecycle Services

- Direct Technology to its core customer base of blue-chip and government customers.
- Drive Datashred towards being the lowest cost operator in the UK shredding market.
- Direct sales energy to key market opportunities, such as government departments still undertaking life science relocations, in Harrow Green.

Operational changes

September 2023	October 2023	November 2023	December 2023
New CEO appointed	New Chair appointed New CFO appointed New Technology management team appointed	New Datashred Managing Director appointed	Decentralisation plan enacted, with power and responsibility devolved to the businesses, leading to a reducing headcount in our head office functions

1 Calculated as statutory profit before tax and adjusting items (reconciled on page 79).
2 Calculated as adjusted profit before tax with a standard tax charge applied, divided by the weighted average number of shares in issue (reconciled on page 98).
3 Calculated as statutory operating profit before adjusting items (reconciled on page 79).
4 Calculated as external borrowings less cash, excluding the effects of lease obligations under IFRS 16 (reconciled on page 91).
5 Calculation as adjusted operating profit divided by revenue (reconciled on page 92).

Chair's Introduction

"This year has seen a number of changes and challenges, and our people and business have shown great resilience throughout. We start 2024 refocused and well set to rebuild stakeholder value."

Jamie Hopkins, Chair

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 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. 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 this 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.

Jamie Hopkins, Chair

13 March 2024

Our Business

Restore provides mission critical services that protect and manage valuable data, information, and assets. The Group has five businesses organised across two divisions: Digital & Information Management and Secure Lifecycle Services.

Restore plc

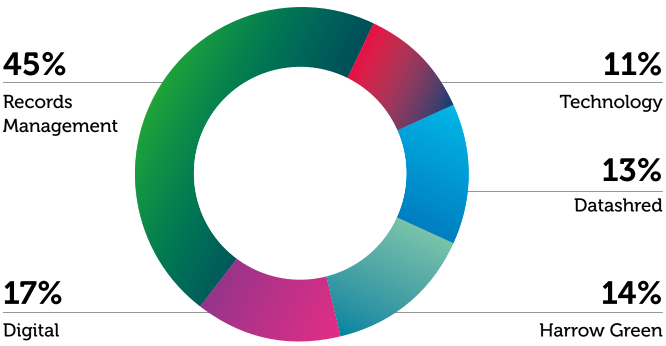
	Digital & Information Management		Secure Lifecycle Services		
	Records Management	Digital	Technology	Datashred	Harrow Green
Market position	No.2	No.1	No.1	No.2	No.1
Market size[1]	£550m	£340m	£530m	£200m	£350m
Market growth[1]	c1%	c4%	c5%	c0%	c0%
UK sites	52	8	6	11	9
Employees[2]	885	694	360	304	397
	• Long term physical records storage and management services • Physical/digital data hybrid services • Heritage asset protection • Digital tape back-up services	• Physical to digital processing • Cloud storage and data management • Digital transformation consultancy • Process outsourcing • Digital mailrooms • Data management software	• High security IT asset erasure • IT decommissioning and recycling • Technology refurbishment and resale • IT asset preparation and installation • IT relocation	• Secure paper and IP destruction • Paper recycling and resale • Onsite and offsite capability	• Office and commercial relocations • Short- and medium-term commercial asset storage • Office and light industrial decommissioning solutions

1 Management estimates
2 As at 31 December 2023

Quality income

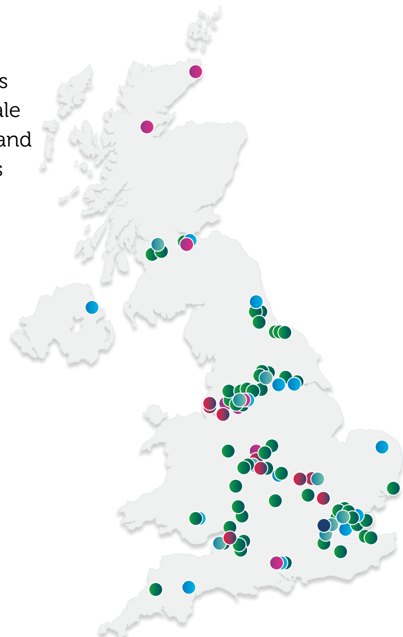
Restore leads the markets it serves. Supporting public and private sectors with critical services, income is highly predictable, recurring in nature and generates strong cashflows.

Revenue mix



National scale

The Group has 86 sites across the UK providing national scale with local service. The scale and capability of Restore provides customers with class leading services and cost benefits.



Our Strategy

Our business is simple but not easy. Whilst we hold strong market positions in all of our businesses and have constant and continuing market demand, efficient execution of our services is critical and we need to stay attuned to market dynamics and the demands of our customers to ensure success.

Our strategy has been modified and simplified during the year, with the new management team in place re-evaluating the core strategic focus and targets of the Group. Our strategy going forward focuses on margin enhancement and organic growth and whilst we focus on driving up margins, we do not intend to undertake strategic acquisitions.

Resources

Dedicated employees

c2,700 people

Experienced specialists in every business

Financial resilience

Long-term funding in place, due for repayment from 2027

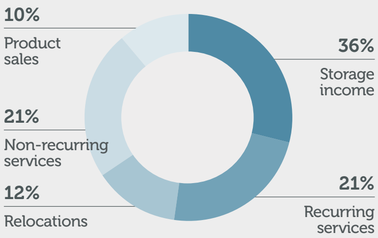
Experienced Board with strong governance structure

Cash generative

National scale

The Group has 86 sites across the UK providing national scale with local service. The scale and capability of Restore provides customers with class leading services and cost benefits

Predictable revenue streams



Quality customer base

FTSE 100 companies: 79%

Top 50 UK accountancy practices: 66%

Local authorities in England, Wales & Scotland: 69%

UK National Health Trusts: 86%

Percentage represents the proportion of the relevant population that are customers of the Group

What we do

Market leading

We have a market leading position in each of our divisions and businesses.

Digital & Information Management | Secure Lifecyle Services

Records Management · Digital · Technology · Datashred · Harrow Green

Refer to pages 8 to 17 for more details

Simple but not easy

Strategic focus

Margin enhancement

Organic growth

Restoring our world

Value created for our

Customers

Reassurance from interacting with a market leader on critical services

National coverage provides access to a wide range of services

Employees

Improved health and safety performance with a focus on the wellbeing of our employees

Employees empowered to drive business performance

Suppliers

Transparency and accountability in all our interactions with suppliers

Supporting their net zero journeys

Shareholders

Cash conversion[1] of 110%

Solid dividend profile with total dividend of 5.2p per share for 2023

Planet

Credible net zero roadmap created with challenging but achievable near-term and long-term targets

1 Calculated as free cashflow divided by net operating profit after tax (reconciled on page 82).

Investment Case

Restore has a stable, secure, high-margin Records Management business in its Digital and Information Management division which is consistently cash generative. Our other businesses are in closely related markets serving a similar customer base.

These businesses are at an earlier stage of maturity but have similar strengths of recurring revenues and market leadership. The Group, which underperformed in 2023, has the opportunity to sharply increase adjusted operating margins over the next two years, with further strong opportunities for growth over the medium to long term.

Core elements of Restore

Predictable and persistent demand

- Our services are vital to organisations' day-to-day operations but cannot be performed effectively or efficiently in-house.
- Our services (with the possible exception of Harrow Green) have predictable revenue streams with over 90% of 2024 revenue visible.
- Long-term demand for our services is stable and evident.

Leadership in markets where scale is highly beneficial

- All of our operations benefit from scale in terms of operational efficiency.
- Given the critical nature of our services, customers are reassured by contracting with a market leader.
- Most of our operations require significant capital support at various stages of their development to ensure they are providing the highest level of service, taking advantage of the latest technological developments.
- National coverage is necessary for a significant percentage of our larger customers, which very few of our competitors can offer.

Markets with high barriers to entry

- All of our markets require an established operation and customer base to gain a meaningful foothold.
- Most of our markets increasingly involve significant regulation, requiring companies to hold multiple industry certifications.
- Establishing a business of scale in our markets requires several years to establish trustworthiness with customers.
- We have historically grown our businesses through acquisition such that there are few opportunities for a small competitor or new entrant to undertake a similar exercise.

Long-established customer relationships

- Business-to-business services, particularly in business-critical services, are generally based on long-term relationships between individuals at several different touch points between the customer and supplier. These range from original sales contacts, customer service relationships to simple driver-to-site contacts. These establish ties which are not easily broken without creating service and other problems.
- The average period over which we store a box is in excess of 15 years and overall customer churn is negligible in our Records Management business.
- Similarly in Datashred, the average customer life is over seven years.
- In most of our services, we are usually active with a customer on a daily or weekly basis.
- Given the service delivery complexity, almost all of our customers are unlikely to move absent consistent service failures, significant pricing disparity or supplier consolidation. On the latter, our scale tends to mean we benefit from customers consolidating suppliers.

Appropriate financing structure with strong cash generation

- The financial strength of Records Management ensures a steady stream of cash generation.
- We have a strong balance sheet and highly supportive lenders.
- We have a high rate of cash conversion.
- All of our businesses are well-invested. In the immediate future the largest area of capital investment will be in the regular updating of our vehicle fleet, followed by investment in new Records Management sites where the return on investment from reduced box storage costs will be seen in the medium term.

Experienced management and colleagues

- The vast majority of our divisional leadership teams are specialists in their individual businesses.
- Most of the managers across our businesses have joined the industry in an operational capacity.
- We operate in markets where most of our operatives have worked in their industries for the bulk of their working lives.
- We believe that our market standing in all of our operations primarily reflects the quality and dedication of our people.

Opportunities for growth

Digital and Information Management

Records Management

- Organic revenue growth from pricing, additional services and projects and winning unvended new business from the public sector.
- Improve margins through cost optimisation and property management to achieve lower storage costs per box.
- Some opportunity for further bolt-on acquisitions from exiting competitors.

Digital

- Grow higher margin activities such as digital mailrooms, online storage and dedicated sites.
- Collaborate with Records Management on customers who need to adjust their physical/digital balance of held data.
- Increase capacity utilisation through greater visibility of large-scale scanning contracts.
- Reduce overheads as a percentage of revenues through identifying and rationalising central costs related to lower margin activities.
- Move out of marginal activities.

Secure Lifecycle Services

Technology

- Focus on customers who prioritise security and responsible behaviour, who will pay appropriately for our high-end service and generate good quality equipment for re-sale.
- Develop our lifecycle services, particularly working with channel partner IT sellers who want to offer full lifecycle services to their customers but lack the capability to supply this themselves.
- Improve our sales capability to address the above two markets.
- Upskill our on-floor workforce to identify high-value items for re-sale.
- Leverage our trade knowledge to maximise re-sale values.
- Exit the low-margin, low-quality recycling market.

Datashred

- Rationalise central resource to increase ratio of operational staff to support staff.
- Migrate lower volume customers to less costly account management support.
- Increasingly share collection sites with other Group companies to reduce rent costs.
- Expand shredding services to non-paper customers.
- Build strong relations with paper buyers to mitigate major swings in paper pricing, facilitating steadier customer pricing than our competitors and more predictable earnings.
- Collect more non-confidential wastepaper.
- Look for opportunities to acquire competitors struggling from recent weakness in paper re-sale prices as part of market consolidation.

Harrow Green

- Maintain market pre-eminence and price premium based on reputation for excellent service on complex relocations.
- Continue to leverage specialist skills particularly in life sciences and heritage sectors.
- Invest in additional services such as current investment in a biobank at our Cambridge facility.

Central

- Focus on cost optimisation and efficiencies.
- Add value to operations through high-level analysis and benchmarking.
- Reduce finance costs through rationalising surplus borrowing capability and proactive short-term cash management.

Our Divisions: Digital and Information Management

Records Management

Records Management

"Records Management has exceptional revenue and earnings visibility, very attractive margins and extremely high barriers to entry to its market."

£124.1m
2023 Revenue

22m
Boxes under management

885
Staff

52
Sites

Certifications
Cyber Essentials Plus, ISO9001, 14001, 27001, 22301, BS 10008, PCI-DSS

Records Management is the largest business in the Group, accounting for 45% of revenues. It was the original business of the Group and is established as one of the two dominant operators in the UK records management market. It has exceptional revenue and earnings visibility, very attractive margins, and extremely high barriers to entry to its market.

The primary business is the storage of paper documents for over 6,000 customers across almost all sectors, ranging from legal and insurance professionals to the NHS and government departments. Storage typically accounts for 70% of revenue with retrieval and collection of documents accounting for the balance of revenue. Additional services include tape, heritage storage, consumables and ultra-secure storage in vaults. We also securely destroy our customers' documents deploying the services of Datashred.

The volume of paper document storage in the UK is currently stable with new documents going to storage roughly equating to old documents being destroyed. The greatest growth opportunity is from customers, particularly in the public sector, who have yet to outsource all or some of their in-house records management which almost inevitably saves cost and increases efficiency. Recent examples of this include contracts with the BBC and the Department for Work and Pensions.

Records Management works closely with Digital to help customers digitise some or all of their paper documents, where this transition will add value to their operations. The cost of digitising documents is many multiples of the annual storage costs so typically only active documents are considered for digitisation.

Operating from 52 locations across the UK, the property estate is primarily leasehold and provides a mixture of deep and active storage options. Most facilities take the form of large, modern industrial units, although the business also operates from several cost-effective locations such as hardened aircraft shelters and former stone mines. Having built Records Management largely through acquisition, we view a significant number of our sites as "legacy" where the small scale and high rental costs mean that cost efficiencies can be generated through consolidating such properties into larger, cheaper facilities. This can be expected to drive up operating margins in the longer term. Our recent signing of a 25-year lease on a 103,000 sq ft facility in the East Midlands is an example of this strategy.

Case Study

Customer:

BBC

Relocating 7m archive assets to continue keeping them safe for the nation

The customer

How do you relocate 7m archive assets held by the world's most famous public service broadcaster, including specialist items that are part of the UK's national heritage?

That was the challenge facing Records Management and Harrow Green when we won a contract with the BBC to manage the corporation's commercial archive storage services.

The contract, for 10 years, includes 74,000 linear metres of archive assets, consisting of audio, moving images, photographic stills, vinyl, and sheet music collected over the last century.

The challenge was how to move such an eclectic, and in some cases fragile, collection from the BBC's site, to a specialist Records Management facility. This included managing 2.7m barcodes.

The solution

Assessing the challenge and preparing the way

It was clear that we needed to move at pace, given the project's short timelines but there were complexities to consider.

These were not regular boxes of paper records, but national heritage assets stored on a variety of media – which needed to be kept in temperature and humidity-controlled vaults with gas fire suppression.

One of the first steps was to begin preparation work at our site to house these assets.

- 100,000 boxes were moved out of the building to create space.
- nine temperature and humidity-controlled vaults (eight of them split into ground and mezzanine floors) were built, set at 18 and 12°C depending on the material stored.
- A gas suppression fire system was commissioned and installed.
- Each vault was fitted with mobile racking.
- An operational processing area was created.
- General site upgrades were implemented.

To increase the pace of the move, and to improve sustainability, we re-used racking and vault doors from the BBC's storage site rather than buying everything from new.

The move: bringing in Harrow Green

Harrow Green helped us plot and action moving archive assets to the new facility.

They planned the move sequence and were responsible for moving items from BBC vaults, packing and transporting them to their new home.

Key challenges – and tactics used to overcome them

Barcodes
A key decision was taken to use BBC barcodes already indexed on the items. This required the development of new software – which allowed us to read and add them to our own system. Once again, this helped speed up the operation.

We knew ahead of the project that not all items had BBC barcodes.

For instance, there was an orchestral range of items that weren't individually barcoded. So, we put a team into the BBC site ahead of the move and barcoded those on behalf of the corporation.

This was important because the orchestral range is a regularly picked archive, especially at certain times of the year. It needed to be easily accessible.

Live reporting
We recorded live every time an item was put on the shelf, so the BBC had complete transparency of what was being moved, what had been scanned and what had been put into a vault. Everything was tracked.

Bespoke ordering service
We also developed a bespoke ordering system with the BBC. The process automatically produces a work order for our team to pick the item and deliver it.

The system:

- Allows the BBC to query our system from their systems.
- Places orders for items to be delivered or collected (including range picks such as a collection of 78rpm records)
- Provides instant notification of items now available to order.
- Enables the BBC to manage access to their items and select delivery options.
- Sends live notifications to the BBC
- Sees order placed, item picked, sent out for delivery, delivered or collected.
- Ensures items are scanned at the BBC and when placed in a vault.

Business as usual activity continued throughout the project, too, including:

- Standard delivery/collection twice a week
- Emergency and out of hours deliveries available
- Current picks ~600 items per month

The results

- **Developing a team:** A focused and hardworking team has been built at Restore, providing excellent service.
- **Beating a deadline:** The move was completed in December 2023, ahead of the 31 December deadline.
- **Technology that delivers:** Systems and processes developed have worked well, with both teams kept up to date with progress.
- **Keeping quality high:** Not waiting until the end of the project to correct errors ensured that quality was never forgotten. A dedicated team member at our site was assigned to maintain high standards.
- **Successful planning:** All processes and setups have worked as planned, thanks to military precision in the process. This was the key to the success of the programme, along with cadence and governance to keep the programme on track.
- **BAU not compromised:** Our ongoing service is running well.

Our Divisions: Digital and Information Management

Digital

Digital

"Digital is comfortably the largest digitisation business in the UK. A large proportion of our activity is recurring in nature, generally with large organisations."

£46.0m
2023 Revenue

769m
Cloud hosted documents

694
Staff

8
Sites

Certifications
ISO 9001, 27001, 14001, 45001, 22301, BS10008, Cyber Essentials and Cyber Essentials Plus, PCI-DSS, DCB 0129

The core component of the Digital business is the physical scanning of hard copy documents, requiring appreciable manual handling supported by sophisticated machinery and technology.

The types of scanning undertaken range from regular digitisation of paper generated in customers' day-to-day operations to large one-off projects such as digitising an NHS hospital's patient records. Key activities include being the largest UK supplier of digital mailrooms for clients ranging from major industrial companies to large government departments such as HM Revenue & Customs ("HMRC") and HM Land Registry. We also undertake the seasonal scanning of examination papers, presenting in excess of 100m images in very short timescales to our customer, RM Education, for further processing and onward distribution to exam markers.

We supply additional related services, the largest of which is online document hosting with revenues in excess of £6m. This is a higher margin activity using our bespoke in-house EDM Online software alongside our position as a Platinum reseller of DocuWare. We offer both cloud-based and on-premise hosting.

Other services include digital transformation support, typically improving customer journeys for companies such as Yorkshire Building Society, Avison Young and Nationwide Building Society, as well as data capture to facilitate business analysis. We also operate on-site scanning facilities for large entities.

Operating from eight sites across the UK, the business is well invested and has relatively sustainable investment requirements, with the majority of cost relating to operational labour, asset leases, IT network costs and product investment.

The benefits of scale in this activity are manifold. Large projects require a range of resources including significant technology capability as well as extensive certification, compliance, and adherence to the latest regulatory requirements in our key markets. Managing capacity is also easier with scale. Recent developments have raised barriers to entry particularly for smaller operators, including the need for secure, scalable infrastructure, systems integration capabilities, disaster recovery and substantial cyber security insurance.

Case Study

Customer:
HM Revenue & Customs

Digital was selected to manage the contract for HM Revenue & Customs' communications services, valued at up to £140 million.

Customer overview
HMRC is the UK's tax, payments, and customs authority, with a vital mission to collect taxes that fund public services and to provide financial support to individuals and families. HMRC is committed to ensuring tax compliance while actively combating fraud. Serving both individuals and businesses—41 million and 8 million, respectively—HMRC plays an essential role in securing the nation's fiscal health by collecting over £814 billion in tax revenues annually.

Solution
Digital will oversee the management of outbound print, email, and messaging services, alongside handling inbound mail and scanning operations. This collaboration focuses on embedding innovation and transformation at the core of the service offering, and supporting HMRC's digital strategy. The outbound communication strategy aims to optimise data handling and standardise print formats to reduce costs, whilst the inbound strategy employs cloud-based data capture to streamline the processing of customer mail. Additionally, the approach to messaging offers flexibility in choosing between digital and print mediums, ensuring cost-effective communication and a seamless customer experience across channels.

Long-term impact and innovation
Since 2014, Restore's digital mailroom for HMRC processes over 35,000 mail items per day within 36 to 48-hour SLAs, handling 5-6 million scanned images per month. This technology enables the 'correct routing' of mail within HMRC without the need for manual intervention, significantly streamlining operations.

Our Divisions: Secure Lifecycle Services

Technology

Technology

"Technology is the leading UK IT recycling and lifecycle services supplier. Our target market is responsible corporate citizens and public sector organisations."

£31.1m
2023 Revenue

1.9m
Assets processed

360
Staff

6
Sites

Certifications
ISO 9001, 14001, 27001, 45001, Cyber Essentials Plus, NSCS CAS(S), NPSA CSE

Since our initial investment in the IT asset disposal market through a small acquisition 10 years ago, we are now the leading IT recycling and lifecycle services supplier. The market for end of life IT recycling has been in existence for over 40 years in the UK but it remains highly fragmented with many different types of business and charging models. The market is expected to become more orderly as society increasingly recognises the importance of data security and environmentally responsible disposal of IT assets.

Technology's core activity remains the data destruction and responsible recycling of all types of IT assets from laptops to servers to network equipment. We also support our core clients on recycling their electrical waste. Our target market is responsible corporate citizens and public sector organisations who appreciate the importance of wiping data and disposing responsibly of their IT assets. These customers not only appreciate the competence and knowledge required to give them peace of mind, but also tend to appreciate the benefits of upgrading their IT equipment, meaning that their old equipment is not outmoded and has appreciable resale value.

Based on our knowledge and technology in the destruction and recycling market, we have a growing presence in the attractive IT lifecycle space. We are increasingly managing organisations' IT estate from initial loading of programmes on new equipment through monitoring changes of users during the kit's lifetime and then managing its disposal. A frequent source of this type of work is through the major IT resellers who look to Technology to provide these services to their large customers. A typical example of this is our contract to manage the IT assets of a large government organisation on behalf of CDW who supply the equipment.

Our services extend from software imaging, physical installation and asset tagging at early-stage initiation, through the mid-life provision of relocation services, hardware and software upgrades and end of life, fully secure and certificated decommissioning solutions through repurposing, recycling, or destruction.

Technology has three processing sites for IT recycling which processed c1.3m assets in 2023. We have one specialist site for destruction including on-site destruction which destroyed c670,000 items in the year. In Ultratec and Ultratest we have extensive secure hard disk wiping capability, including proprietary technology which facilitates the reuse of disks deemed irreparable by other processers. Ultratec cleaned and re-sold c600,000 hard disks in 2023. We also have our in-house engineering resource working with customers, typically on disconnecting and reconnecting complex IT structures.

Case Study

Customer:
Public sector entity

How Technology re-marketed c500 Apple MacBook units

The challenge

The public sector entity concerned wanted to upgrade part of its inventory so that colleagues were suitably equipped to handle current technology. This meant they had c500 Apple MacBook laptops to dispose of securely, ranging in age from approximately four to ten years old, across six different models, including the A1286, A1398, A1466, A1502, A1989, and A1990.

The client enquired about recycling these assets through their original supplier. They were seeking a more sustainable and financially rewarding option for the MacBooks by re-marketing them and earning a rebate that they could re-invest in new equipment for their teams. The client discovered, however, that their supplier could not assist them and, instead, turned to Technology.

Technology is a leading provider of secure IT asset disposal and re-marketing services. We use a circular economy model to make sure that all IT assets we process are re-used or recycled in the most sustainable and cost-effective way possible.

Our solution

Our security-checked collections operatives picked up the Apple MacBooks from one location at the agreed time. All the assets were tagged, to ensure they could be tracked through our audit system and transported to the appropriate Technology site.

All the redundant Apple MacBooks were brought to our secure facility, firstly to be processed and have all data securely wiped from their hard drives, and then to be assessed by our professional, experienced team and assigned grades according to their re-marketing potential. Grade A devices are thought to have maximum return potential, for example, while grade F units are deemed fit for break down and recycling.

At Technology we work to a set of rules that ensures a unit goes through the correct channel; either e-commerce, trade, or straight-to-recycling. Only a top tier asset will be re-marketed through the e-commerce channel as it needs to be able to achieve a higher resale value than the trade option to reap maximum returns. Lower grades are likely to be channelled through trade, unless too old or damaged to be sold as viable devices.

Our re-marketing solution is a truly sustainable option. Our public sector client's redundant Apple devices were either re-sold as viable machines into a range of different markets, that is re-used, or they were broken down into constituent parts and materials which were then recycled.

The results

- 63% of the units were graded as A, B or C. Units graded A are typically re-marketed through Technology's e-commerce platform, which includes our own website and eBay, directly to consumers, and achieve maximum revenues through this channel. Units graded B and C are sold in large volume through our trade channels across UK, Europe, the US and Asia. We send lists of all available equipment to Apple traders, and wait for offers to come in to broker the best deals.
- 27% of the units were unredeemable, and we sent them to be broken down into recyclable components such as precious metals, glass and plastics, the commitment that nothing is sent to landfill.

What our customer says...

"The team at Restore Technology helped us realise the re-marketing rebate we were looking for to invest in a newer generation of IT equipment for our colleagues. Their security protocols, good communications, and company commitment to helping us meet our ESG goals couldn't be faulted. Thank you to all involved."

Our Divisions: Secure Lifecycle Services

Datashred

Datashred

"As one of the two main UK operators, Datashred can generate considerable benefits of scale. Datashred's average tenure with a customer is in excess of seven years."

£35.9m
2023 Revenue

c50,000
Average tonnes of paper recycled

304
Staff

11
Sites

Certifications
Cyber Essentials and Cyber Essentials Plus, ISO 9001, 14001, 27001, 45001, NPSA, PCI-DSS

Datashred is one of two national operators providing onsite and offsite shredding services in a fragmented market. Visiting over 30,000 different sites with more than 400,000 total visits per year, we serve customers ranging from SMEs to nationwide operations, some of whom we service through their facilities management suppliers.

The majority of income is in the form of contracted service fees. These contracts are typically for three years but the average period of supplying a customer is in excess of seven years.

The remaining income is derived from the sale of recycled paper to UK and global paper mills. An average of 50,000 tonnes of paper is processed each year which is subsequently sold into the recycled pulp market for reuse.

The recycled paper price undergoes considerable swings with a direct impact on revenues and profits, as experienced adversely in 2023. Given the degree of short-term volatility in the paper price, which is often affected by macroeconomic factors such as shipping costs, and limited scope for hedging prices, it is difficult to flex service fees to mitigate paper price swings. Datashred is less exposed to this than its smaller competitors who tend to generate a higher percentage of revenues from paper sales.

As one of the main operators in the UK market, Datashred can generate considerable benefits of scale, through better route density and more cost-effective shredding facilities. It is critical that these are not offset by excessive central costs. Datashred also benefits from servicing Records Management's destruction needs. Additionally, Datashred can benefit from sharing its collection sites with Records Management.

Datashred operates from six shredding sites and five collection locations (two at Records Management sites) across the UK. Our two largest sites in South-East London and Yorkshire are well-invested state-of-the-art facilities with significant capacity.

Our vehicle fleet is 127-strong of which 48 are on-site shredding vehicles where shredding is undertaken at the customers' sites. The number of on-site shredding vehicles is steadily declining as we encourage customers to move towards off-site shredding for environmental reasons: shredding trucks on customer premises emit more carbon compared to offsite shredding in large facilities powered by electricity from renewables. We are working with customers to incentivise and educate them on this trend.

The shredding market has experienced limited consolidation in recent years with pricing expectations of potential vendors exceeding a level where acquirers can generate sensible returns. Given the ageing demographic of the owner-managers and the impact of the recent steep fall in the recycled paper price, there may be opportunities for more market consolidation in the medium term. We expect this to be reinforced by larger customers increasingly preferring to contract with larger, more certified suppliers given the sensitivities around data security. Datashred is particularly well-placed in this regard as part of the Restore Group where storing, scanning and shredding documents all with one supplier provides a secure chain of custody.

Case Study

Customer:

Community Health Partnerships Limited

Demonstrating sustainability through the Datashred experience

About

Community Health Partnerships (CHP) are part of the NHS family. They work in partnership with the NHS to provide high quality health and social care facilities that enable excellent patient care and support staff wellbeing. They are strong on Corporate Social Responsibility (CSR), especially sustainability, and seek to work with suppliers who support their Net Zero goals.

The CHP challenge

CHP has many sites across England, all working to the same strategic goals, and all strong on CSR.

Their key aims for sustainability are to reduce emissions and the amount of waste going to landfill. Their sustainable practices and procurement work along the following paths: decarbonisation, water preservation, waste reduction, reduction in single-use plastics and installation of LED lighting.

Datashred is not only a Restore Group business, with our own Net Zero goals, and an increasingly alternative-fuelled fleet – some of it from in-house generated energy – we are also a major recycling company. In 2021 alone, we sent 85,000 tonnes of confidential paper and cardboard shreds to UK fibre processing firms so these shreds could be created into new paper products.

We have worked hard to achieve, and maintain, a raft of certifications that support us in providing high security, breach-proof data protection for all our customers' confidential waste. On paper, then, we are a good match for meeting CHP's expectations and goals.

The Datashred experience

CHP has been working with Datashred for the past 12 months, and we currently cover 77 of their sites across the UK, collecting approximately three tonnes of confidential wastepaper from each site over the course of the past year. Our personalised services are managed directly by one of Datashred's senior account managers, guaranteeing knowledgeable, attentive service that is always seeking efficiencies and innovations.

Not only do we collect and shred 20 tonnes a month, in complete confidence – freeing up space on CHP premises, and helping their business remain compliant – but we are also making and showing CHP their current environmental savings through their online monthly Environmental Report.

Datashred results: a virtuous cycle of sustainability…

Best of all, however, is that this case study provides a prime example of the circular economy at work.

Datashred's operatives collect sacks and secure bins of confidential paper waste from CHP's various sites and transport them safely to one of our shredding centres. Our state-of-the-art machinery reduces that confidential paper waste to tiny fragments in short order; these fragments, or shreds, are then baled and sent to a UK processing firm – Essity – to be made into paper products such as paper towels, tissues, cardboard tubes, and so on.

CHP has a contract in place to buy large scale volumes of tissue, and other paper products, from… that self-same processer, Essity. It all helps create a virtuous cycle of sustainability, where resources and emissions are kept to a minimum in producing much-needed healthcare products.

For the first year of working together, CHP can see – and show their stakeholders – that by choosing to shred and recycle with us, they have saved the following:

4,080
Trees not felled

1,008,000
Energy saved (kw)

7,680,000
Litres water saved

144,000
C02 emissions stopped

Our Divisions: Secure Lifecycle Services

Harrow Green

Harrow Green

"Harrow Green is the UK's leading commercial relocations organisation, It is also increasingly providing expert relocation services to discrete sectors, notably in life sciences."

£40.0m
2023 Revenue

413,000 pa
Desks relocated

397
Staff

9
Sites

Certifications
Cyber Essentials Plus, ISO 9001, 14001, 27001, 45001, BS 8522 BAR

Harrow Green is the UK's leading commercial relocation company, supporting corporate and public sector clients with their complex and demanding workspace move projects.

The business provides a full project management service and delivers physical relocation and installation of workspace, furnishings, documents and IT equipment so that relocated staff simply turn up at their new facility and can operate immediately post move.

Harrow Green employs c400 staff and has a pool of specialist agency labour it can draw on at peak times or for particularly large moves. A recent project, where minimising downtime was the customer's priority, required a team totalling over 100 operatives. It operates from nine sites across the UK with a fleet of 118 vehicles, 19 of which are fully electric. This scale, far bigger than any competitor, combined with huge experience of managing complex relocations gives Harrow Green a pre-eminent position in its market which translates into achieving premium rates.

All Harrow Green sites have appreciable storage capacity. This is valued by our customers, providing them with the flexibility to transform and manage their property estate or seek storage solutions for complex asset management requirements.

In addition to the core office moves business, we are also increasingly providing expert relocation services to several discrete sectors, notably in life sciences. As part of this we have recently commissioned a biobank for specialist storage requirements at our site in Cambridge, where our activities are strongly skewed towards the thriving life science businesses in the area. The success of our Cambridge branch has encouraged us to open another branch in 2024 near Oxford where life sciences are also burgeoning.

Harrow Green secures extraordinarily high customer satisfaction scores. This is reflected in over half of our revenue being generated from existing customers.

Harrow Green frequently works with other Group businesses, such as undertaking the BBC's move of its archive centre to a Records Management site in the South-East of England. It also plays a key role in introducing new customers to other Group businesses: a physical move is frequently a trigger for business process development or changing suppliers in areas other parts of the Group service.

Case Study

Customer:

One of the largest pharmaceutical companies

Delivering a large-scale and complex relocation of laboratory equipment

About

Our customer, one of the largest pharmaceutical companies in the world, wanted a trusted partner to support them with a huge project. The move was to exit them from 16 locations in England and move them to one super laboratory in the heart of the life science district. They needed a partner with experience, ability and scale to deliver this on time and on budget, with minimal downtime for their extensive work.

The challenge

For Harrow Green Laboratory Services, this was their largest project to date. Meticulous planning was needed for four years before these moves took place. New teams had to be employed and trained to our very high standards and a large team had to be ready to move more than 7,000 items and 200,000 samples.

Challenges with this project were:

- **volume** – size and scale of the project;
- **notice periods and required agility** – the project was delayed several times including at four weeks from go live;
- **volume of stakeholders** – the customer had over 400 stakeholders involved in the move;
- **OEM collaboration** – collaboration with many original equipment manufacturers and utilising their equipment where needed;
- **high value and delicate equipment** – Large and heavy equipment needing specialist moving tools; and
- **zero risk/zero downtime** – planning and execution had to occur to ensure that "science didn't stop".

The Harrow Green Laboratory Services experience

Being responsible for the largest laboratory move in Europe to date was an honour for our teams. Ensuring we had specifically trained teams and project managers for these moves was imperative and took a lot of organising.

- Programme spanning 32 weeks, delivering more than 12 move phases,
- 532 vehicle loads,
- Powered transport – 86 vehicle loads using technology in the vehicles that allow the items to be moved without the need to decant/recant, reducing cost and reducing risk. This included obtaining a special transport exemption from the Department for Transport.
- Recycling unwanted assets including reuse, repurpose and recycling.

Programme delivery included 12 colleagues working full time as the project team. Over 150 colleagues working on the project, with peak levels at 110 each day and colleagues collaborating from six Harrow Green locations.

Other notable parts of the project

- Community - 62 local people employed on the project.
- University accommodation was utilised throughout the project to support universities/education estates, supporting local enterprises.
- Local schools were utilised for training and recruitment workshops.
- Technology – provided with the ability to view/live stream inside of vehicle bodies to ensure that high value vehicle loads were delivered securely.
- Bespoke security clearance – cleared 160 people on the team with advanced security checks to enable site access.

Chief Executive Officer's Statement

"I have been pleased to note that the core strengths of Restore's businesses remain intact. I believe that the Group should be targeting adjusted operating margins in the medium term of no less than 20%."

Charles Skinner, CEO

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 life-cycle. 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.

Chief Executive Officer's Statement continued

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 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.

Charles Skinner, Chief Executive Officer
13 March 2024

Chief Financial Officer's Statement

"Although 2023 was a challenging year for Restore, our foundation of highly contracted income streams, in particular our storage revenue, has underpinned our results such that the Group continues to be both highly cash generative and profitable on an adjusted basis.

Restore begins 2024 well placed to rebuild profitability and shareholder value."

Dan Baker, Chief Financial Officer

Financial highlights

	2023 £m	2022 £m	%
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[1]	37.3	34.6	8%
Net debt	97.8	103.5	6%

1 Calculated as cash generated from operations less income taxes paid, capital expenditure and lease payments, but before the cash impact of adjusting items (reconciled on page 82).

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 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.

Revenue

	2023 £m	2022 £m	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:

	2023 £m	2022 £m
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 reorganisation	1.6	0.7
Total adjusting items	59.3	17.7

Chief Financial Officer's Statement continued

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 ("EPS")

	2023	2022
Weighted average number of shares in issue	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.

	2023 £m	2022 £m
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;
- 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 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 year 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.

Dan Baker, Chief Financial Officer
13 March 2024

ESG Committee Report

"We have made good headway on delivering against our focus areas and have strong momentum going into 2024."

Lisa Fretwell, Chair of ESG Committee

On behalf of the Board, I am pleased to report on the progress of the Group's ESG strategy for 2023. We have made good headway on delivering against our focus areas and have strong momentum going into 2024. During 2023, we have focused primarily on our climate action journey and on the health, safety, and wellbeing of our people, both of which are considered to be principal risks to Restore. Throughout this report, you will see how our thinking in these areas has evolved and matured over the year, including how we plan to address these areas, plus other key strategic topics, in 2024 and beyond.

Governance of ESG

In January 2023, a Board level ESG Committee was established which is chaired by me as an Independent Non-Executive Director and attended by other Non-Executive and Executive Directors. This Committee formally reviews and challenges the ESG strategy, holds management to account for delivery of committed execution plans and signs off ESG disclosures and assurance. The Terms of Reference are available on our website.

Key agenda items for the ESG committee in 2023 have been:

- review of the overall ESG strategy, including 2023 priorities and reporting requirements;
- assessment of the ESG analysts' ratings of the Group;
- review of 2023 progress and 2024 priorities for each focus area in the ESG strategy;
- deep dive into the Group's net zero commitments and ambitions; and
- preliminary review of the level of compliance the Group will achieve in its 2023 TCFD reporting.

ESG Strategy

We are working with our customers and suppliers to deliver a secure and sustainable business future, focusing on Our Planet, Our People and Our Business. Our strategy, and its constituent parts, were derived following a materiality assessment conducted in previous years, whereby a broad set of stakeholders were surveyed to derive consensus on the main ESG issues the Group faces. We have been executing against this assessment and strategy since 2021 and will look to refresh this materiality assessment in 2024 to ensure that the strategy remains pertinent.

Our Strategy — Restoring our World

Our Vision — Deliver a Secure and Sustainable Future

Focus areas — Our Planet | Our People | Our Business

ESG topics & long-term goals — Business Governance

Our Planet	Our People	Our Business
Climate Action Resource Use Biodiversity	Health, Safety & Wellbeing Culture Community Impact Enriching Careers Diversity & Inclusion	Customer Engagement Data Security Innovation Partnerships Transparency & Accountability

Yearly targets

Transparency and Reporting

Policies

KPIs

The KPIs below represent the measures that we will use to track progress against our "Restoring our World" strategy for the foreseeable future. During the year, we have made progress in refining and distilling the information that we need to see to enable us to understand our strategic progress, therefore there have been some changes to the measures presented when compared to prior years. We understand the importance of consistency in KPI reporting and will continue to report the measures below going forward.

	2023	2022	2021
Our Planet			
Intensity ratio (Scope 1, 2 and 3 market-based emissions per £m of revenue)	**33.3**	41.3	Not measured
% of hybrid/EV vehicles in total fleet	**17%**	3%	Not measured
% of sites which have REGO backed electricity contracts	**86%**	85%	Not measured
% of hybrid/EV company cars in total car fleet	**91%**	63%	Not measured
Our People			
Women in management roles	**33%**	33%	33%
Women on the Board	**40%**	50%	40%
Women across the business	**34%**	34%	33%
Employee engagement	**New KPI being derived**	70%	61%
Near miss reporting (number reported)	**80**	130	57
Our Business			
Customer NPS (average)*	**81**	78	72
Trustpilot rating (average)*	**4.6/5.0**	4.6/5.0	4.6/5.0
Planet Mark certification	**100%**	100%	100%

* relevant businesses are Harrow Green and Datashred for NPS (2021 just Datashred) and Datashred and Records Management for Trustpilot scores

ESG Committee Report continued

Strategic progress

Our Planet

2023 Progress:

Climate Action:

- Development of a net zero roadmap with near-term and long-terms targets and milestones (refer to pages 32 to 34)
- Improvement of 19.4% in our total market-based intensity ratio (refer to pages 34 to 35) and a reduction of scope 1 and 2 emissions (market-based) of 20.1%.
- 86% of our sites now have procured electricity which is Renewable Energy Guarantees of Origin ("REGO") backed.
- Solar panels implemented on our site in Coventry.
- Enhancement of the supplier approval and onboarding process in Datashred to include key sustainability criteria

Resource Use:

- Fleet decarbonisation plan in progress:
  – 91% of company cars now EV or hybrid (2022: 63%)
  – 17% of total fleet now EV or hybrid (2022: 3%)
- Ongoing improvements made to our estate to improve the way we consume energy e.g. focus on lighting reduction programme, phased installation of EV chargers where possible and implementation of energy saving initiatives.

Biodiversity:

- Working with a number of our Digital customers to mutually improve biodiversity around our sites including planning to install elements such as hedgehog gates and homes, bird boxes, pollinator habitats and plant wildflowers in 2024.
- To improve air quality we have implemented an anti-idling policy on a number of our sites for both internal and external transport.
- Wildflowers planted in our Harrow Green business, with a focus on flowers that encourage butterflies, bees and moths.

Our People

2023 Progress:

Health, Safety and Wellbeing:

- Established "Wellbeing House" – a new operating model for how we will support colleagues with wellbeing - covering financial, social, physical and mental wellbeing concerns.
- Conducted extensive analysis into underlying trends on absence and mental health-relating matters to help inform our safety and wellbeing strategies.
- Introduced Mental Health First Aiders including support mechanisms for them personally and tracking of cases.
- Further development of the Employee Assistance Programme with a heavy promotion of services available. We saw usage increase by 600% in the second half of this year.
- Introduced a new suite of KPIs to cover lagging and leading indications for safety and wellbeing that will be tracked monthly.

Culture:

- Through colleague focused working groups, we established a Group-wide vision on culture.
- Performed a review of all existing colleagues' policies to ensure they were easily understood and suitably supportive where appropriate.
- Launched a Group-wide Code of Conduct.

Community Impact:

Each of our businesses has been actively engaged in the community, examples include:

- In Records Management we have connected with a Remploy Working Well Specialist Employment and Recruitment Service to understand how their recruitment services can support and enable our objectives to adopt inclusive employment and recruitment processes.
- We have continued to support and donate to a number of charities including the Mission Christmas Cash for Kids charity, Barnardos, Crisis, Comic Relief and Save the Children
- Through our Harrow Green business we have donated furniture from relocations to several different charities which are then sold to raise funds.

Enriching Careers and People's lives:

- Rolled out leadership development training across all senior leaders and all functional leaders.
- Rolled-out a Group-wide performance development tool which has the option to be used by the businesses.
- Consolidated 15 pension providers to one, driving education around pension and retirement planning and making salary sacrifice available to all eligible colleagues so they can benefit from this provision.

Diversity and Inclusion:

- Defined diversity categories in line with ONS and embedded capture processes for potential candidates and new recruits.
- Rolled out the "This is Me" campaign. This was a Group-wide promotion of the topic of Diversity, Equity, Inclusion and Belonging (together, "DEIB"), followed by a data collation campaign to support our position resulting in c60% of colleagues self-identifying and recording their diversity characteristics.
- Established several valuable Colleagues Networks – including networks for LGBTQ+, Armed Forces, Ethnic Minorities.

Our Business

2023 Progress:

Customer Engagement:

- High Trustpilot and NPS scores across our businesses (where used):
  NPS scores:
  - Datashred – 76
  - Harrow Green – 87

  Trustpilot scores:
  - Records Management 4.5
  - Datashred – 4.7
- Achieved all major ISO 9001, 14001, 22301, 27001, 45001, and BS 10008 compliance certifications where directly relevant to the business.

Data Security:

- The Group IT strategy is in line with NCSC Cyber Security Guidelines with Cyber Essential Plus certifications achieved across all businesses.
- Disaster recovery and business continuity plans are in place and tested for each site and as required for the Group's IT platforms.
- Comprehensive cyber insurance in place in the Group's Digital and Technology businesses, where the risk is deemed to be the most prevalent.

Innovation:

- Awarded the "Project of the Year – Public Sector" at The Document Manager Awards and "The Innovation Award" at the Public Sector Alliance Awards in recognition of our unique approach and solution in helping one of our customers optimise and streamline the 28.5 million files that they held within their own storage facility.

Partnerships:

- Partnered with Barnardos over the last two years to provide fundraising, donations, volunteering, and sponsorship of events.
- Continued our partnership with PlanetMark to assess and assure our ESG data, metrics, and strategy.
- Partnered with an electricity provider who is able to provide us with 100% REGO-backed electricity contracts.

Transparency and Accountability:

- Formation of a Board-level ESG Committee to enhance governance and ensure, that all Board Committee Terms of Reference have been reviewed and revised where appropriate.
- Cross-business Property Committee established to provide a more regular and focused review of the Group's real estate strategy with regular updates to the Board.
- New Share Dealing Code and Information Disclosure Policy rolled out.
- Detailed review of the whistleblowing policy and procedures.

Our ESG Priorities and Plans in 2024 are to:

Our Planet

- Operationalise our net zero roadmap through the introduction of an ESG Operational committee which incorporates ESG champions plus senior stakeholders from each business and from the fleet and facilities teams. The aim of the Group will be to drive actions in the businesses to meet the Group's targets and commitments.
- Increase the frequency of our carbon reporting from annually to quarterly. This will allow us track progress against our interim net zero targets.
- Complete the quantification of our Scope 3 baseline, ensuring that the remaining relevant emissions are assessed, and a plan is in place to track reporting of those.
- Develop further commitments in relation to waste and biodiversity to align with the focus of "Our Planet" strategy.
- Review the culture of the Group to ensure that our ambitions in this area are integrated with business priorities. We will start this journey by looking at carbon-related incentivisation and developing a training and awareness programme that can be rolled out to the Group.

Our People

- Continue to improve data quality in health, safety, and wellbeing to enhance our understanding of the root causes of incidents alongside the appropriate corrective action.
- Review the technology and systems in place underpinning the key social commitments to ensure they are appropriate and fit for purpose.
- Look to implement a new Group-wide learning management system with content focusing on health, safety and wellbeing, compliance, diversity and inclusion and leadership.
- Continue enhancing the wellbeing commitment with the establishment of a Wellbeing Committee alongside further support for the Employee Assistance programme and the mental health first aiders initiative.

Our Business

- Publish a Supplier Code of Conduct which focuses on the compliance, ethical and governance expectations we place on our supply chain.
- Review and update existing supplier terms and conditions and create new framework supplier contracts for use by the businesses. These will cover third party compliance requirements, audit rights for the Group and provision of key ESG metrics to support our ESG strategy.

ESG Committee Report continued

Net zero journey

In 2021, we published our ESG strategy "Restoring our World", which included a commitment under "Our Planet" to lighten our footprint by becoming a net zero organisation by 2035. As a Group we remain deeply committed to our climate-related ambitions and understand that each action we take has the potential to propel us towards our net zero future.

Since making these commitments in the shadow of COP26 we have been working hard behind the scenes to start delivering against these targets. Like every responsible business, this has involved looking into every area of the Group to better understand our emissions sources, development of a governance structure to oversee progress against our targets, data capture and measurement, and synthesis of current initiatives. All this while exploring the ever-evolving landscape of sustainability definitions and frameworks.

In light of the launch of the SBTi Corporate Net Zero Standard in late 2021, we now have a formal framework for corporate net zero target setting. This has given us the necessary structure and a clear, consistent methodology to align our targets to the 1.5-degree pathway. From this, we now know that our original net zero targets were not broad enough in scope, and we will need to work hard to navigate our supply chain emissions in addition to those actively under our direct operational control.

We remain committed to 2035 as a long-term target for our Scope 1 and 2 emissions, as outlined in our "Restoring our World" strategy. To realistically achieve full decarbonisation of our full value chain, however, we are adjusting our net zero target to 2050, in line with UK legislation. Without question, our ambition to beat this goal remains valid, but we must acknowledge that no organisation can achieve net zero alone and instead we must act as a catalyst for action and urgency.

Roadmap to net zero

Restore will achieve net zero by reducing absolute Scope 1, 2, and 3 emissions by 90%, from a 2022 baseline, by the following target years:

- Scope 1 and 2: 2035
- Scope 3: 2050.

These long-term commitments are supported by near-term targets:

- to reduce Scope 1 and 2 emissions by at least 50% by 2030; and
- to ensure that by 2030, suppliers covering 70% of emissions from Purchased Goods and Services have set net zero targets aligned with a 1.5°C pathway.

To facilitate our 2050 net zero target, we will put in place a comprehensive decarbonisation roadmap to be delivered by each individual business and supported by strong governance within the Group.

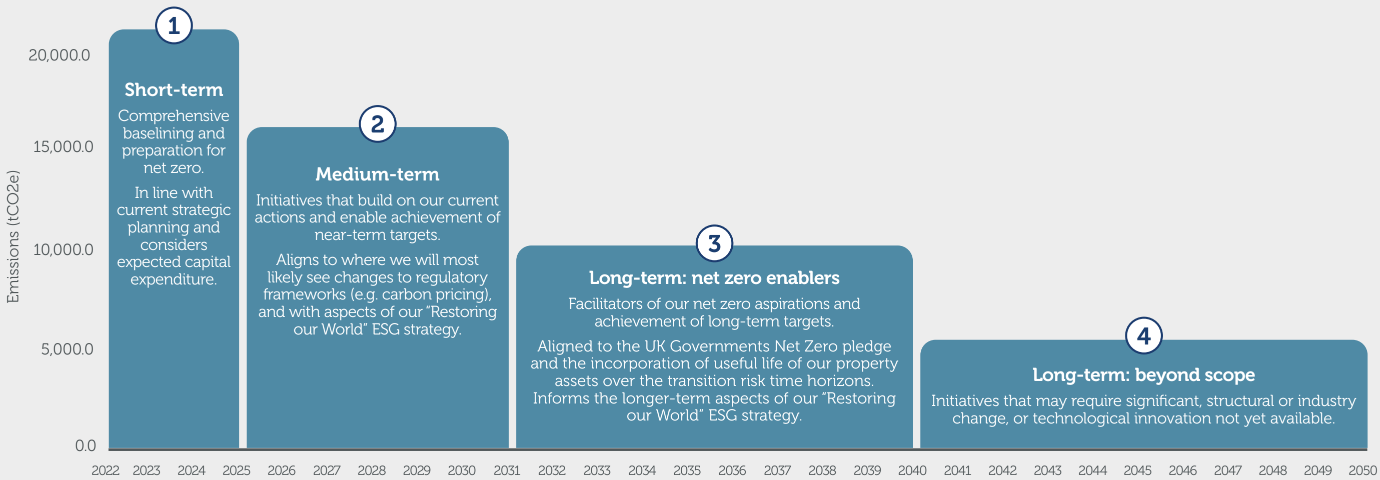
While a full baseline carbon footprint has not yet been established, we have engaged with a third-party to establish an initial set of actions to be completed along this roadmap. These actions are based on the outcomes of carbon footprint data analysis and a stakeholder questionnaire sent out to representatives of the businesses.

The actions aim to provide a comprehensive programme of decarbonisation, acknowledging that not all actions deliver direct carbon reduction initially, but are required to support a data led culture of decarbonisation and establish some essential foundations for future carbon savings.

This roadmap will be integrated into our governance framework to ensure accountability and rigour in reporting. It is essential that as a Group we embed sustainability considerations into our decision-making processes, and our commitment to net zero will be reflected in Board oversight, executive compensation, and risk management practices.

The roadmap is broken down into four time horizons with the associated focus areas as set out below.

Path to net zero – Time horizons



Overview of the actions required for decarbonisation

To deliver the necessary carbon reductions over the time horizons stated on the previous page and across both our internal operations and wider value chain, we will deploy initiatives across three key activation levers:

- Measurement, data quality, and target setting
- Education, engagement, and communications
- Key decarbonisation initiatives and policies

We have set out below the key actions we have identified, along with their likely timeframes, necessary for our decarbonisation roadmap to net zero.

Solutions for decarbonisation overview

	Measurement, data quality, and target setting		Education, engagement, and communications		Key decarbonisation initiatives and policies			
1 **Short-term** (2022 - 2025)	Explore opportunities for installing HHD (Half Hourly Data) smart meters.	Measurement of full Scope 1, 2, 3 baseline carbon footprint.	Initiated supplier engagement activities with top suppliers.	Create ESG Operational Committee across all business units.	Full review of Energy savings opportunities from ESOS Phase 3.	Develop a comprehensive fleet decarbonisation roadmap for current fleet projections.	Secure 100% clean energy supply for all sites.	Formalise supplier review process.
2 **Medium-term** (2026 - 2031)	Conduct further building audits across the portfolio.	Work with key suppliers to provide list products, quantities, and emissions per product.	Conduct comprehensive supply chain review and net zero engagement.	Comprehensive employee training and on board for net zero education.	Improve building fabric where feasible.	Look at creating EV charging strategy across the estate ahead of EV transition.	Continue to replace all old lighting for LED in areas not yet converted.	Create a Sustainable Procurement Policy and Supplier Code of Conduct.
3 **Long-term enablers** (2032 - 2040)	Implement smart carbon data collection solutions embedded into finance systems.	Continuous and transparent annual review of targets, actions, and processes.	Full compliance with policies and net zero supplier requirements.	Net Zero action plans with key suppliers.	New sites to have net zero embedded as standard.	Explore long term leases where feasible to enable decision making based on ROIs.	Explore Hub & Spoke, rather than local delivery model.	Explore large scale ground mount solar installations.
4 **Long-term beyond scope** (2041 - 2050)	Ongoing measurement, maximising data quality considerations, annual target setting and progress reporting, all monitored by strong governance.		Development of leadership across the whole value chain and ongoing compliance with cross sector regulation and legislation.		Decarbonisation of key supporting industries. Utilising policy adoption and implementation of technological innovation where available.			

Case Study

Installation of solar panels in Coventry

The Records Management team have our "Restoring the World" strategy at the heart of their operations and in August 2023, installed solar panels onto the roof of their site in Coventry. This will not only allow the site to generate its own renewable power, thereby reducing carbon emissions, but should also be a cost-effective solution, ultimately decreasing the cost base of the site.

The installation included 7 strings of 36 panels and is already delivering excellent output. The system will produce 75.7MWh/year (75,700kWh) with a saving of approximately 14.64 tonnes of carbon dioxide, the equivalent of planting 672 trees.

Safety is also at the heart of this installation; in case of an emergency situation, i.e. if the AC power system fails or a fire accident occurs, the system automatically shuts itself down by powering down the input DC energy all the way to the panels on the roof.

This is a fantastic blueprint for future potential installations and takes the number of sites in the Group with solar panels to two.

ESG Committee Report continued

Solutions overview

Scope 1 – Fleet provides the most significant contribution to the Group's Scope 1 footprint at c56% of total location-based assumptions. A comprehensive roadmap to full decarbonisation of the entire fleet portfolio is the main priority whilst accepting that the current state of EV technology is not yet sufficient for Restore to transfer to an all-electric fleet due to availability, battery range, charging infrastructure and cost.

Scope 2 – To reduce Scope 2 market-based emissions it is essential that the Group look to secure a 100% REGO backed clean energy supply for all sites. This should be combined with exploring all opportunities to maximise onsite renewable energy generation via solar PV.

Scope 3 – As expected, a significant proportion of our overall measured emissions are attributed to Scope 3 Category 1 Purchased Goods and Services. It is essential that in the short and medium term we look to initiate comprehensive supplier engagement through education and outreach. Our near-term targets are designed to prioritise supply chain engagement and initiate a cascade of decarbonisation through the industry. It is then expected that later in our net zero journey we will start to realise carbon savings from our suppliers within our own emissions portfolio.

Beyond specific initiatives with high potential carbon savings, it will only be possible to reach net zero by catalysing behavioural change across the whole Group and encouraging the team to adopt a net zero mindset.

Outlook

This pathway to net zero sets out the next chapter of our sustainability journey, and our robust commitment to our net zero target. We have already started to implement carbon reduction measures across the Group, but like most businesses in our industry, we have a complex ecosystem that will require consolidated action to decarbonise. Making sustainability an integral part of the organisation will help to unlock our potential and ensure that we are fit for the future.

The path to net zero requires immediate action, innovative solutions and transformative change. To deliver against these net zero targets, therefore, we will be working to ensure all available carbon reduction opportunities and initiatives are embedded across our businesses. We have a strong foundation of sustainable action across the organisation and are culturally well placed to build upon this but must unify across the businesses to maximise impact.

We are confident that our net zero commitments are well aligned with our business strategy, and we are prepared to invest in making a net zero future the reality for Restore. During 2024, we will be working with the businesses to quantify the investment needed to achieve our commitments, where it is practicable. This will allow us to ensure that the financial impact from meeting our net zero commitments is known and factored into our overall strategy and financial planning.

As part of our ongoing commitment to transparent and comprehensive reporting, our baseline and net zero targets will be reviewed for relevance on an annual basis as part of Net Zero Governance.*

2023 carbon emissions

In line with best practice, we are pleased to set out our Global Green House Gas ("GHG") emissions report on the next page. The GHG data relates to emissions during the 12-month period from 1 January to 31 December 2023, and 100% of our emissions are UK based. Our carbon footprint is calculated using methodologies consistent with the GHG Protocol with additional guidance notes included as required and has been certified by a third-party as being compliant with the Streamlines Energy and Carbon Reporting guidelines.

Location-based emissions (reflects the average emissions intensity of grids on which energy consumption occurs)

Total emissions reduced by 9.2% from 2022, with a reduction of 1,306 tCO2e. Emissions from our fleet are the most significant driver of our carbon performance, comprising c56% of total emissions, and these emissions reduced by 12.8% from 2022 following the gradual replacement of our smaller fleet vehicles with electric/hybrid alternatives. Overall, 17% of our fleet is now either electric or hybrid, an increase from 3% in 2022, with 91% of our company cars now using lower-carbon technology.

Market-based emissions (reflects emissions from electricity that companies have purposefully chosen)

Total emissions have fallen by 20.0% from 2022, with a reduction of 2,306 tCO2e. The reduction is driven by the same factors as the location-based emissions above but in addition the Group continues to take action to seek sustainably sourced energy and make strategic steps towards a non-fossil fuelled fleet. The Group is proud to report that 86% of Restore's sites have procured electricity supplied through REGO backed suppliers (2022: 85%) and where Restore does not manage that supply directly, for example where a landlord manages power supply, the Group is actively negotiating for that energy supply to transition to a renewable alternative. We are expecting 100% of our directly procured electricity to be supplied by REGO backed suppliers directly by Q2 2024.

Intensity ratios

In line with lower emissions, our market-based intensity ratio has reduced to 33.3 from 41.3 driven by the factors above.

*In line with the SBTi Corporate Net Zero Standard, companies are required to check targets annually and at minimum review them every five years. If necessary, companies must recalculate their target to reflect significant changes that might compromise the target. Recalculation should not be triggered by organic growth but should be triggered by significant changes in company structure / operation (e.g., Mergers / Acquisitions), in methodology used for calculating the base year inventory (e.g., improved emissions factors, improved data quality),and in the occurrence of significant errors.

Streamlined Energy and Carbon Reporting ("SECR")

The Group has continued to make good progress in 2023 on improving our data collection, data coverage and data quality.

In line with prior year, we have included market-based reporting as well as location-based reporting to demonstrate how our procurement approach prioritises renewable energy sources when acquired business energy contracts expire.

tCO2e	2023	2022	2021
Fleet fuel emissions	7,222.6	8,281.0	8,013.8
Natural Gas	509.0	412.4	499.7
Heating fuels	121.9	153.6	142.5
Total Scope 1[1]	**7,853.5**	**8,847.0**	**8,656.0**
Electricity	3,824.2	3,841.8	3,719.4
Total Scope 2 location-based[2]	**3,824.2**	**3,841.8**	**3,719.4**
Electricity	137.1	1,154.3	Not measured
Total Scope 2 market-based[2]	**137.1**	**1,154.3**	**Not measured**
Total Scope 1 & 2 location-based	**11,677.7**	**12,688.8**	**12,375.4**
Total Scope 1 & 2 market-based	**7,990.6**	**10,001.3**	**Not measured**
Transmission and distribution losses	330.5	351.4	329.1
Business travel	443.0	397.8	223.7
Waste	404.1	731.5	671.7
Water	13.2	13.4	12.6
Procurement	37.6	29.1	31.1
Total Scope 3[3]	**1,228.4**	**1,523.2**	**1,268.2**
Total Scope 1, 2 & 3 location-based	**12,906.1**	**14,212.0**	**13,643.6**
Total Scope 1, 2 & 3 market-based	**9,219.0**	**11,524.5**	**Not measured**

Intensity measures

In line with previous years, management provides an intensity measure for carbon usage based on revenue and headcount in order to correlate emissions with levels of activity in the Group.

tCO2e	2023	2022	2021
Intensity measure (per £'m revenue)			
Group revenue (£'m)	**277.1**	**279.0**	**234.3**
Scope 1, 2 & 3 location-based emissions per £'m revenue	**46.6 (-8.4%)**	**50.9 (-12.5%)**	**58.2**
Scope 1, 2 & 3 market-based emissions per £'m revenue	**33.3 (-19.4%)**	**41.3**	**Not measured**
Intensity measure (per employee)			
Average headcount (FTE)	**2,727**	**2,892**	**2,450**
Scope 1, 2 & 3 location-based emissions per employee	**4.7 (-4.0%)**	**4.9 (-12.5%)**	**5.6**
Scope 1, 2 & 3 market-based emissions per employee	**3.4 (-15.0%)**	**4.0**	**Not measured**

Energy consumption

The tables represent 100% of our business energy use, a breakdown of emissions by fuel type is provided below.

kWh	2023	2022	2021
Gas oil	253,283.9	290,951.3	261,478.6
Natural gas	2,782,374.3	2,259,222.0	2,728,074.5
Propane	52,432.5	80,272.7	42,456.4
LPG	87,121.1	8,269.8	1,378.3
Diesel (buildings)	41,522.9	76,509.5	–
Burning oil	34,226.9	126,909.2	234,725.3
Fleet	28,466,985.1	32,312,398.7	31,654,732.0
Grey fleet	1,426,441.7	1,536,848.4	898,883.8
Electricity	18,492,891.0	19,894,303.8	17,542,844.9
Total energy consumption[4]	**51,637,279.4**	**56,585,685.4**	**53,364,573.8**

1 Scope 1 (direct) – measures which relate to emissions resulting from activities owned or controlled by Restore.
2 Scope 2 (energy indirect) – emissions are those released into the atmosphere that are associated with the Group's consumption of purchased electricity, heat, steam and cooling. These indirect emissions are a consequence of the Group's energy use but occur at sources the Group does not own a control.
3 Scope 3 (other direct) – emissions are a consequence of the Group's actions that occur at sources that the Group does not own or control and are not classed as Scope 2 emissions.
4 Energy consumption data is captured through utility billing meter reads or estimates.

Task Force on Climate-related Financial Disclosures ("TCFD")

This is our third year of reporting climate-related disclosures, in line with the TCFD recommendations and in recognition of The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. These are consistent with the TCFD Recommendations and Recommended Disclosures as detailed in "Recommendations of the Task Force on Climate-related Financial Disclosures", 2021, with use of additional guidance from "Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures", 2021.

The TCFD disclosures also address section 414CB (2A) Companies Act requirements in relation to climate-related disclosures. Adherence to the relevant parts of these requirements is set out on page 41. The Group has continued to use the TCFD framework to structure our reporting in this area to ensure consistency with previous years, however we will continue to map our TCFD disclosures to the relevant sections of the Companies Act framework going forward.

Governance

Board and the ESG Committee

The Board maintains overall responsibility and oversight of climate-related risks and opportunities, ensuring alignment with Group vision and direction. However, to ensure there is the appropriate strategic and operational focus on climate-related matters, the Board established a formal ESG Committee in January 2023. This is a Board-level Committee that is chaired by Lisa Fretwell, a Non-Executive Director and attended by other Non-Executive and Executive Directors. Whilst this Committee covers all environmental, social and governance matters, it is acutely responsible for oversight and challenge of our climate strategy; holding management to account for execution of the strategy, ensuring our climate reporting meets regulatory requirements and ensuring that the Group's approach to climate-related risks and opportunities is balanced, measured and appropriate for our business.

Key climate-related agenda items for the ESG committee in 2023 have been:

- review of the overall climate-related strategy, including 2023 priorities and reporting requirements;
- assessment of the ESG analysts ratings of the Group;
- review of 2023 progress and 2024 priorities for each focus area in the ESG strategy, including climate-related matters;
- deep dive into the Group's net zero commitments and ambitions; and
- preliminary review of the level of compliance the Group will achieve in its TCFD reporting.

The Board and the ESG Committee is supported by the Risk Committee in the oversight of climate-related risks, and for the overall effectiveness of risk management arrangements. The climate-related risk register is reviewed as part of the enterprise-wide risk framework assessment every six months which enables management to incorporate ongoing refinement and quantification of risks.

The Board continues to ensure that there is appropriate climate-related expertise within the business and in 2024 will continue to build on this level of knowledge and understanding.

The Board and the ESG Committee understands that it is best practice to establish carbon-related incentivisation schemes within the Group to ensure that the climate commitments made are appropriately embedded within the culture of the organisation. This will be implemented for the Executive Directors in 2024 and the Remuneration Committee will then consider how to cascade an appropriate incentivisation scheme through the organisation.

Management

At a management level, the CEO oversees the operational delivery of the climate-related strategy in alignment with operational priorities. The CEO is supported by:

- **The Executive Committee** – this represents the Group's most senior leaders and is responsible for the operational delivery of the strategy and cascading the appropriate risks and opportunities into the businesses.
- **The MD's of each of the businesses** – each MD has the responsibility to deliver the strategy on a day-to-day basis; understanding the climate-related risks that impact their business whilst also harnessing the opportunities that climate-related matters can bring. They are supported by sustainability experts embedded into the businesses' leadership team.
- **ESG Operational committee** – The ESG Operational committee has not yet been formally established but will be a management-led committee responsible for tracking sustainability programmes and projects across the businesses and reporting the progress of and management of operational ESG initiatives. In particular, the ESG Operational committee will identify and monitor climate-related risks and identify barriers or opportunities that may necessitate the adjustment of approach or securing of additional resource. This committee will come into full force in 2024.

Colleagues

At an employee level, sustainability champions work on the achievement of our sustainability goals whilst all colleagues are responsible for adhering to the Group's strategy on a day-to-day basis.

Risk Management

With the help of external sustainability consultants, the Group has considered all risk and opportunity categories outlined in the TCFD guidance, across all our operations and supply chains, to ensure that appropriate climate-related risks have been identified and analysed. These were identified and assessed over three time-horizons:

- **Short-term: Now to 2025**
  In line with current strategic planning and considers expected capital expenditures.
- **Medium-term: 2026 to 2031**
  Aligns to where we will most likely see changes to regulatory frameworks (e.g. carbon pricing), and with aspects of our "Restoring our World" ESG strategy.
- **Long-term: 2032 to 2050**
  Aligned to the UK Governments Net Zero pledge and the incorporation of useful life of our property assets over the transition risk time horizons. Informs the longer-term aspects of our "Restoring our World" ESG strategy.

Climate-related risks and opportunities are identified, assessed, and managed as part of the existing Group enterprise-wide risk framework to determine their relative significance in relation to other Group risks. Risk assessment, based on agreed likelihood and impact criteria, drives the prioritisation of risks and mitigating actions.

After the risk has been identified and assessed a decision is made about how to respond to it. There are five options which allow mitigation of the risk: treat, tolerate, transfer, terminate, take the risk. These options ultimately ensure appropriate resources are allocated to mitigate risks.

The enterprise-wide risk framework is subsequently reviewed by the Risk Committee and signed off by the Board at least annually, with climate-related risks aggregated into a single environmental principal risk. This allows a Group-level view of climate risk but also helps to understand the specific threats and opportunities that the individual businesses face. Refer to pages 44 to 47 for more details on our risk management processes.

Whilst the Board recognises that to achieve its strategic objectives, it must accept and manage a certain degree of risk, it has a low appetite for risks that have significant negative consequences such as climate-related risks. It aims to ensure that the Group either avoids those activities that may result in climate-related risks accelerating or eliminate the risks through applied and focused mitigation efforts.

Strategy

Our sustainability strategy, "Restoring our World", was published in November 2021 and identifies clearly defined targets which mitigate against climate-related risks and capitalise on climate-related opportunities. The strategy, including climate-related risks and opportunities, is reviewed annually and will include any changes in regulations, social context, technology availability and the development of climate science. Where required, the strategy will be adapted to reflect these changes.

The strategy was derived in the prior year through climate-related workshops undertaken across the business, supported by external consultants. We have however reviewed the strategy in 2023 to ensure it remains pertinent and appropriate for the business. We utilised our materiality assessment and risk framework to ensure that no material climate-related risks or opportunities were overlooked.

We have further analysed our climate-related risks and opportunities using three scenarios:

1. **Net Zero 2050 (NZE)** – where actions limit the global temperatures rise to 1.5 °C by 2100, with 50% probability, included as it informs decarbonisation pathways used by the SBTi.
2. **Stated Policies (STEPS)** – Outlines a combination of physical / transitions impacts as temperatures rise by 2.6°C by 2100 from pre-industrial levels, with a 50% probability.
3. **RCP 8.5** – an extreme physical risk scenario, where mean global surface temperatures rise by c4.3°C by 2100 from pre-industrial levels as the global response to mitigating climate change is limited.

Although a comprehensive resilience assessment has not been performed to fully quantify the impact of these scenarios on the Group's strategy, we have assessed the directional impact of the likelihood and impact of these scenarios on the identified risks and opportunities to ensure we understand how climate change may affect our business.

Based on the assessment above and the overall enterprise-wide risk framework, our overall climate risk exposure continues to be assessed as moderate. The potential impact of the identified climate-related risks and opportunities is set out on pages 38 to 40 but we do not expect them to drive a fundamental change to current business strategy (with regularly horizon scanning to ensure we are aware of any macro environmental changes) although our risk appetite in this area will push us to continue to reduce our risk exposure. We will also continue to evolve our TCFD reporting throughout 2024 in line with our overall net zero journey set out on pages 32 to 34.

In addition, within our annual budget cycle and capex proposals, the Group's net zero commitments are considered during business case assessment. Our broader strategy of fleet electrification, efficient use of energy, and property consolidation align with our net zero trajectory. This evolving approach provides future climate risk mitigation and carbon benefits (e.g., rotating out of smaller, older facilities into more efficient premises). As a result, there are no material effects of climate-related matters reflected in judgements and estimates applied in the financial statements. We will, however, continue to monitor our climate-related risks and opportunities through our internal risk management framework and apply financial consideration as our business evolves.

ESG Committee Report continued

Risks

We have identified five key climate-related risks and five climate-related opportunities that could have a financial impact on the organisation. We have highlighted the impacts most relevant to our sustainability strategy using the key below.

Time-period (Term)	Financial impact	Measurement used to track risk/opportunity	Business area (most impacted)	Risk / opportunity rating: Negligible	Low	Moderate	High	Directional impact of the scenarios identified on the risks/opportunities

TCFD category: Transition (Emerging regulation)

Carbon pricing shocks

- Medium-term
- Higher costs associated with energy price increases
- Scope 1 and 2 emissions
- All business units
- Moderate
- Increased likelihood of risk occurring/ increased impact on risk in scenarios

The Group currently does not use carbon pricing but views the implementation of operational carbon pricing as a strong likelihood. However through our annual emissions reduction targets and low-carbon strategy we feel we have mitigating activities in place to deal with the forecasted increase in carbon taxation. Our modelling does however assume that carbon prices rise gradually; the risk to the Group would come from the dislocation caused by sudden short-term carbon price shocks, potentially resulting from regulation or market dynamics.

Carbon price swings would be expected to be more of a risk under the NZE scenario, where decarbonisation is driven faster, and the forecasted carbon price is already high.

We believe, overall, the impact of this risk is moderate given our net zero commitments and our aims for fleet electrification and move to sustainable power with a target of 100% renewable energy. The successful achievement of our net zero commitment largely offsets material risks associated with carbon pricing shocks on operations under NZE and STEPS.

Carbon pricing in the value chain

- Medium-term
- Increased cost of purchased goods and services and inbound transportation
- Scope 3 emissions
- All business units
- Moderate
- Increased likelihood of risk occurring/ increased impact on risk in scenarios

The scope of carbon pricing (applied directly or indirectly) is expected to expand over the medium term, and the price of carbon is expected to rise. The International Energy Agency forecasts that carbon prices (US$/t$CO_2$e) relevant to the Group under NZE and STEPS scenarios are projected to increase significantly.

Our principal value chain emissions originate from our suppliers (cardboard boxes and packaging for storage). As the Group's suppliers come under carbon pricing mechanisms, or carbon border adjustments, this could result in the supplier passing on the added cost from the carbon tax. Despite the Group looking to reduce scope 3 emissions in line with our net zero commitments, the risk of carbon pricing in the value chain is moderate in line with the overall risk to the Group from carbon price shocks.

TCFD category: Transition (Technology)

Reliance on technological advances

- Medium-term
- Higher costs associated with finding alternative solutions
- Monitor industry developments
- All business units
- High
- Increased likelihood of risk occurring/ increased impact on risk in scenarios

The Group's net zero pledge depends on the decarbonising of our vehicle fleet. The current state of EV technology is not sufficient for the Group to transfer to an all-electric fleet due to issues such as availability, battery range, charging infrastructure and cost. There is also an outside risk that the capital expenditure incurred could be written off in coming years if competing technology is developed, making EVs obsolete.

To reduce the impact of this risk, the Group has already moved its company car policy to one of 'hybrid or electric only'. By the end of 2023, 17% of our fleet are EV/hybrid vehicles with 91% of our company cars being EV or hybrid. EV chargers have been installed at 14% of our sites and a further network of charging infrastructure is being assessed for deployment over the coming years. Whilst the most cost-effective route for decarbonising heavy-duty vehicles remains the biggest uncertainty, we will continue to work with our fleet partners and manufacturers to assess the most viable long-term alternatives.

TCFD category: Physical (acute and chronic)

Rising mean temperatures (heat stress and external fire disruption)

- Long-term
- Lost/disrupted revenue and shorter asset life
- % of sites in risk area
- Records Management
- Low
- Neutral likelihood of risk occurring/neutral impact on risk in scenarios

The mean global temperature is expected to rise in all three climate scenarios used. This may cause issues at some of our sites as many of our storage sites at Records Management are tall to provide optimal storage utilisation of customers documents. During periods of high temperatures working conditions can become uncomfortable at the higher levels of the buildings and there are currently no temperature regulating systems at these sites. Excessively high working temperatures would require more breaks for employees, reducing efficiency or, in the extreme, expose employees to heat stress. In addition, periods of hot dry weather raise external fire risks. From the Group's perspective, the risk of fire itself is not significant however nearby fires can disrupt services and potentially impact revenue (e.g. smoke blowing into buildings or site accessibility due to road blockages from fire support services).

As part of our mitigation each Business Unit contains a business continuity management team which assess the protection and support of the Group colleagues, critical operations, and infrastructure during emergencies and disasters, including man-made and weather-driven natural disasters. Our business continuity and disaster recovery plans are regularly tested and continually updated. Appropriate insurance policies are also in place, and we monitor our risk of wildfires amongst other acute physical events.

Flood disruption

- Long-term
- Lost/disrupted revenue and shorter asset life
- % of sites in risk area
- Records Management
- Low
- Neutral likelihood of risk occurring/neutral impact on risk in scenarios

Record Management's storage units would be most at risk of the increasing flooding probabilities, due to increased rainfall, especially under RCP 8.5. Certain operations may be at higher risk than others but through the WRI's Aqueduct Water Risk Atlas analysis none of the sites assessed are currently considered above a low-medium risk of flooding. However, flooding at our sites could disrupt the services we provide due to the sites having to be evacuated for safety concerns or damage to records or equipment from water ingress.

To mitigate this risk, we will continue to assess the suitability of current key sites and if there are any medium to long term flooding risks posed at these locations. Our property acquisition strategy will also look to avoid areas that could be susceptible to an increased risk of flooding. To date, there have been no incidents of water ingress or flooding and with our business continuity plans we believe we are well placed to deal with any increase in probability of flooding.

Opportunities

Time-period (Term)	Financial impact	Measurement used to track risk/opportunity	Business area (most impacted)	Risk / opportunity rating				Directional impact of the scenarios identified on the risks/opportunities
				Negligible	Low	Moderate	High	

TCFD category: Product and services

Expansion of circular economy and low carbon services e.g. IT/office recycling

- Medium-term
- Increased sales
- Revenue from circular economy and low carbon services.
- Technology, Harrow Green and Records Management
- High
- Increased likelihood of opportunity occurring /increased impact on opportunity in scenarios

With the focus on a sustainable development and mitigating climate change, the circular economy is expected to expand. We see specific opportunities in two businesses that can be pursued further to expand our revenue: Technology and Harrow Green, which both already offer circular economy services relating to the recycling of IT or office furniture.

Additionally, Records Management already offers customers a low-carbon storage solution, which enables customers to reduce their emissions though a reduction in space. We are looking to capitalise on the expansion of these services.

TCFD Category: Energy sources

Zero emission energy (self-generation and Power Purchasing Agreements)

- Medium-term
- Decreased costs
- Renewable energy usage
- All business units
- High
- Neutral likelihood of opportunity occurring/ neutral impact on opportunity in scenarios

The Group sees renewable energy contracts as a strong opportunity to reduce our emissions intensity with 86% of our sites having directly procured electricity already being supplied through Renewable Energy Guarantees of Origin ("REGO") backed suppliers and the remainder of our directly procured contracts looking to transfer in 2024.

The Group also has the potential to generate its own renewable energy. With the significant roof space there is an opportunity to develop solar panels on the roofs across our property estate, subject to landlord consent. This offers an opportunity to become less dependent on the national grid which has a low proportion of renewable energy and means the Group can reduce its dependence on fossil fuels and in the medium-term lower its cost base.

TCFD category: Resource efficiency

Water, energy, waste savings

- Medium-term
- Decreased costs
- Water, energy and waste consumption
- All business units
- Moderate
- Neutral likelihood of opportunity occurring/ neutral impact on opportunity in scenarios

There are incremental opportunities to improve our resource efficiency, reducing energy and waste across the Group. Our sites are continuously looking at ways to improve efficiency, both to reduce costs, but also our carbon footprint, e.g. through the reduction in water and waste, which we monitor, as well as in the use of fuels and electricity in process.

The ESOS Phase 3 assessments performed in 2023 have further identified opportunities to generate a long-term return on sustainability initiatives and we have further assessments planned for 2024.

ESG Committee Report continued

Electrification of fleet

Medium-term	The Group sees the chance to make its vehicle fleet more sustainable thorough electrification or other sustainable technologies as a significant opportunity. The Group has already established a programme to rotate fleet towards new technology and is committed to The Climate Group EV-100. Transferring the fleet to low-carbon technology will provide the opportunity for the Group to reduce our emissions footprint, especially Scope 1 emissions from company owned vehicles and to ultimately reduce the cost of running the fleet. EV chargers are currently installed at 14% of our sites, with plans to install a further network of electric charging points across the Group's property estate so journeys between sites will be made fossil fuel free. Whilst this opportunity is significant, the pace at which it can be realised is interlinked with the technological advancement risk noted above.
Decreased costs	
% of fleet that is electrified	
All business units	
High	
Increased likelihood of opportunity occurring/ increased impact on opportunity in scenarios	

TCFD category: Transition (market)

The Group's sustainability positioning

Medium-term	Under the STEPS and NZE scenarios, stakeholders will increasingly incorporate climate change into all business decisions as the world transforms into a low carbon economy. Customers are increasingly incorporating sustainability into their tenders (e.g. UK government) and adding supplier carbon assessment (Scope 3) as part of their everyday business. Certain customers will have specific demands and criteria that are sustainability-linked which the Group can adhere to. Relative to our peers we also believe we are very well placed in terms of sustainability governance, reporting and strategy. Our ESG strategy "Restoring our World" emphasises how even with more stringent sustainability regulation and standards we are well placed to capitalise on sustainability initiatives.
Faster revenue	
The Group's external sustainability ratings (e.g., MSCI)	
All business units	
Moderate	
Increased likelihood of opportunity occurring/ increased impact on opportunity in scenarios	

Metrics and targets

The metrics and targets that the Group monitors are closely linked to our climate-related risks and opportunities. Our reporting includes Scopes 1, 2 and some scope 3 greenhouse gas (GHG) emissions as well as energy consumption. The calculation of our carbon footprint is in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and is externally certified to a limited level of assurance. Reducing our own carbon emissions and developing our ability to offer low carbon services to our customers is a core part of our sustainability proposition and minimum emissions reduction target is built into our annual external certification.

Other metrics that we track include (refer to page 29):

- Emissions intensity
- % of hybrid/EV company cars and in the total fleet
- % of directly procured energy which is REGO backed

We believe that by monitoring these metrics, it will allow the Group to drive emissions reductions in line with our net zero target.

We will continue to develop our metrics throughout 2024 and will look to capture a number of the measurement metrics set out on pages 38 to 40.

Our overall target is to be a net zero organisation by 2050, in line with the UK Government's commitment to be net zero by 2050. To meet this climate commitment, the Group has established interim targets around renewable energy consumption and fleet electrification along with carbon emissions reductions targets for the near and medium-term – these are outlined in more detail on pages 32 to 34. By monitoring these metrics and targets, we can ensure that we are mitigating risk exposure as outlined above.

Our climate related priorities for 2024 also include objectives to enhance our metrics and targets in the near-term, these include:

- We will look to increase the frequency of our carbon reporting, from annually to quarterly. This will allow us track progress against our interim net zero targets.
- We will complete an assessment of our Scope 3 baseline, ensuring that the remaining relevant emissions are quantified, and a plan is in place to track reporting of those. The Scope 3 emissions that are stated on page 35 are expected to be a small portion of our overall Scope 3 footprint, once fully quantified we expect our total Scope 3 emissions to be materially higher.
- We will start to develop a supplier engagement plan for our top suppliers which sets out the likely activities we will look to introduce to start to drive down Scope 3 emissions.
- We will develop further commitments in relation to Resource Use and Biodiversity to align with the focus of "Our Planet" strategy.

Climate-related framework compliance

Recommendation	Recommended disclosures	Response		Companies Act S414CB
Governance Disclose the organisation's governance around climate-related risks and opportunities	a) Describe the Board's oversight of climate-related risks and opportunities	The Board has overall responsibility for climate-related risks and opportunities with a Board-level ESG Committee also in place to help drive strategic and operational focus.	Page 36	(a)
	b) Describe management's role in assessing and managing climate-related risks and opportunities	The CEO oversees the operational delivery of climate-related activity in alignment within operational priorities. He is supported by the Executive Committee, the business unit MD's and in 2024, a management-led ESG Operating committee.	Page 36	(a)
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	The Board has identified environmental risk as a principal risk as detailed on page 46, which is underpinned by specific climate-related risks and opportunities outlined within the Group's climate risk assessment.	Pages 37 to 40	(d)
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	The Group recognises the impact that climate change may have on its strategy, operations and financial planning and is taking action to address the implications of climate-related risks across our business. The full financial quantification of these risks and opportunities has not yet been completed however we have identified the risk rating and directional impact of how the risks and opportunities respond to various scenarios.	Pages 37 to 40	(e)
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Although a comprehensive resilience assessment has not been performed to fully quantify the impact of these scenarios on the Group's strategy we have assessed the directional impact of the likelihood and impact of these scenarios on the identified risks and opportunities to ensure we understand how climate change may affect our business	Pages 37 to 40	(f)
Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks	a) Describe the organisation's processes for identifying and assessing climate-related risks	The Group's overall risk management approach captures Group-wide risks, including climate change. As risks are captured, an assessment in terms of the impact on the Group's strategy is undertaken, in addition to a likelihood vs impact assessment, which determines the significance of all risks.	Page 37	(b)
	b) Describe the organisation's processes for managing climate-related risks	Risk assessment, based on our agreed likelihood and impact criteria drives the prioritisation of mitigating action.	Page 37	(b)
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Climate-related risks and opportunities are identified, assessed and managed on the existing Group risk management framework.	Page 37	(c)
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	All metrics used to assess climate-related risks and opportunities are outlined on page 40.	Page 40	(h)
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	The Group reports Scope 1, 2 and some Scope 3 greenhouse gas (GHG) emissions set out on page 35. We will continue to quantify our scope 3 emissions throughout 2024.	Page 40	(h)
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	The Group's journey to net zero is set out on pages 32 to 34 and includes near-term, medium-term and longer-term targets.	Page 40	(g)

ESG principles

Below is a key summary of the policies held by the Group in relation to non-financial matters:

Code of conduct

High standards of ethical behaviour and compliance with laws and regulations are essential to protecting the reputation and long-term success of the Group. Our Code sets out the ethical standards that should govern the activities of Restore, its subsidiaries, its employees and any business partners. It gives guidance on recognising when and where ethical problems exist, and how to avoid them or what to do if they cannot be avoided.

Our Code applies to all our employees, contractors and sub-contractors working in all of our businesses. We expect our customers, suppliers, distributors, agents and all other stakeholders we interact with to abide by it or to operate to similar standards. Our Code applies across all our operations, wherever they are based, and it always applies.

We provide a dedicated independent whistleblowing support line, available at all times, through which concerns can be raised, anonymously if required. All concerns raised will be investigated in a timely, fair and transparent manner.

A copy of our Code of Conduct and Speak Up Policy are available to view on our website.

Anti-bribery & Collusion Policy

Restore Plc has a zero-tolerance policy towards bribery and corruption and is committed to acting fairly and with integrity in all of its business dealings.

No party may:

- give or promise any financial or other advantage to another party (or use a third party to do the same) on the Group's behalf where that advantage is intended to induce the other party to perform a particular function improperly, to reward them for the same, or where the acceptance of that advantage will itself constitute improper conduct;
- request or agree to receive any financial or other advantage from another party where that advantage is intended to induce the improper performance of a particular function, where the acceptance of that advantage will in itself constitute improper conduct, or where the recipient intends to act improperly in anticipation of such advantage; or
- collude with other parties in order to achieve an improper purpose including influencing improperly the actions of another party specifically in relation to a bid or tendering process.

Parties must:

- be aware of and alert at all times of all bribery risks;
- exercise due diligence at all times when dealing with third parties on behalf of the Group; and
- report any and all concerns to the relevant person in accordance with the Group's Whistleblowing Policy. In the case of non employees, they should contact their normal point of contact in the Group or if that person may be implicated they should contact a Director or the Company Secretary.

A copy of the Anti-Bribery and Collusion policy is available to view on our website.

Case Study

"This is me" – Diversity data capture campaign

Throughout the second half of 2023, we ran our diversity data capture campaign, "This is me". We felt that it was important to make sure that we knew a little more about our colleagues to help us make decisions and take actions that are right for our people.

We were delighted that so many colleagues took the time to complete the survey with data received for almost 60% of our colleagues.

Now that we have this data we will use it alongside our wider diversity and inclusion activity to continue to improve our practices and ensure we are an inclusive place to work.

Over the course of 2024 our agenda for diversity and inclusion will focus on:

- Developing the existing colleague networks and launching a further three (Disability, Women's, Mens').
- Obtaining feedback and thoughts from the diversity data, colleague networks as well as our customers to evolve our practices and policies.
- Rolling out awareness training on inclusion.

Equality and diversity policy

The Group wants to ensure that employees have the opportunity to benefit from employment, training and development regardless of sex, colour, race or ethnic or national origin, religion or belief, disability, age, marital status, sexual orientation, gender assignment or having part time or fixed term employment.

The Group are committed to becoming an inclusive place to work, where all employees can reach their true potential in the job that they choose to do. We are committed to eliminating discrimination amongst our workforce and our objective is to create a working environment in which there is no unlawful discrimination and all decisions are based on merit. We value the contribution which all individuals can make to the success of the Group and we will strive, therefore, to ensure equality of opportunity for all to compete fairly. We will employ a workforce which recognises and takes account of the diverse, multi-cultural society in which we live.

Modern slavery and human trafficking statement

Through our people we deliver vital services to our customers. We therefore condemn slavery in all its forms and will never tolerate it both within our businesses and across our supply chains. We will not engage in any form of human trafficking and nor will we use forced, bonded, compulsory, illegal or child labour – or knowingly work with anyone who does. Working primarily within the UK, we believe our modern slavery risk is low, but we remain vigilant and continuously challenge ourselves to better understand the risk and its associated controls.

The Group has published its Modern Slavery and human trafficking statement in respect of the year ended 31 December 2023 on our website. The 2024 statement will be published on our website in compliance with the required deadline.

Human rights and ethical policy

This Ethical Policy and the Code of Conduct serve as guidelines for all the Group's business practices. Through its business practices the Group seeks to support the principles of the Universal Declaration of Human Rights ("UDHR"). The Group's position on Human Rights reflects the core requirements of the UDHR, such as freedom from torture, unjustified imprisonment, unfair trial and other oppression. It also includes freedom of expression, religion and political or other representation. Human rights are those rights we all deserve. They include the right to life, respect for privacy and family life, freedom of thought and religion, and the right not to be subjected to modern slavery. We also have the right to be treated with respect and dignity and we want the places where we work to reflect this.

On the basis of this policy the Group will not provide support or work with businesses or organisations which fail to uphold basic human rights within their sphere of influence. The Group recognises that businesses have the opportunity to ensure that human rights are upheld in all those aspects of their operations that they could reasonably expect to control.

Case Study

Wellbeing support for our colleagues

The wellbeing of our colleagues and their families is fundamental to the success of Restore. During 2023, in response to colleague feedback and to trends we are seeing externally in society and in the workplace, we developed a new wellbeing strategy, along with a range of wellbeing tools and resources to support everyone in the Group.

Our new wellbeing strategy covers four key areas of wellbeing, which have been benchmarked against other leading employers and based on recommendations from leading experts.

- **Physical wellbeing** – this includes health and safety and lifestyle choices that link to how we look after our physical self.
- **Social wellbeing** – this includes feeling a sense of community, belonging, connection, respect, purpose and meaning, training and development if we want it.
- **Mental wellbeing** – this includes stress and how we keep ourselves in mental health as opposed to ill-health.
- **Financial wellbeing** – this includes our knowledge and approach to managing our financial situation.

To enact this strategy, we have taken the following actions this year:

1. Produced a new Wellbeing Policy to guide colleagues and people leaders on best practice for managing wellbeing within the workplace.
2. Developed a new digital home for all wellbeing materials called Wellbeing House which is available to all colleagues.
3. Established a governance structure to support the wellbeing agenda and developed KPIs to track our progress in this area.
4. Developed a wellbeing workshop that will be rolled out across the business.
5. Established Mental Health First Aiders across the business who are trained to be able to understand the different types of mental health issues someone might be experiencing, and how to provide help.

Risk Committee Report

"Restore takes an enterprise-wide approach to risk management and operates a governance structure which engages and empowers our colleagues at all levels across the Group to identify, assess and mitigate risks."

Lisa Fretwell, Chair of the Risk Committee

Introduction

I am pleased to provide the Risk Committee's annual report for 2023.

The Committee's focus is to provide oversight, ensure accountability, and appropriately challenge the Group's identification, assessment, and control of principal and emerging risks. It does this by taking both a "top-down" and "bottom-up" approach, ensuring that the Board has sufficient oversight of risk management and decision-making, whilst supporting colleagues at all levels across the Group to identify, assess and mitigate risks as part of both a structured governance approach and as part of their day-to-day activities.

The Risk Committee is chaired by me with the Executive Directors and the Managing Directors of the businesses as members of the Committee. The Company Secretary, Chief People Officer and Director of Group Finance are standing attendees with other subject matter experts including the Group IT Director, the Head of Health, Safety and Environment and Group Property Director attending on a regular basis to provide expert input into enterprise risk management discussions as well as detailed insight on key topics. The Risk Committee meets quarterly and provides an update to the Board after each meeting. Non-Executive Directors are also invited to attend Risk Committee meetings and Jamie Hopkins, Non-Executive Chair, attended the November 2023 Risk Committee meeting. External advisers are engaged as and when required. The terms of reference for the Risk Committee are reviewed annually by the Board and a copy is available on the Group's website.

The Group's enterprise-wide risk register is maintained by the Company Secretary and Director of Group Finance and periodically reviewed by the Risk Committee (the "top down"). In addition, each business has its own risk register which is reviewed at the Risk Committee and feeds up into the enterprise risk register (the "bottom up"). Whilst the Board has taken steps during 2023 to empower the senior management of the businesses, they do so subject to the Group delegated authority levels approved by the Board. This ensures that the Board maintains appropriate oversight and control over key strategic and financial decisions. I am satisfied that the Group has the appropriate governance in place and the Risk Committee has the appropriate balance of skills, diversity, and relevant expertise to fulfil its remit effectively and for the Board to discharge its duties.

In its programme of work the Risk Committee reviewed risk through three complimentary perspectives:

- Risk within business-as-usual activity
- Risk as identified as barriers to strategic objectives and regulatory requirements
- Emerging risks identified through horizon-scanning and scenario analysis.

2023 activity

During the year the Committee met four times and considered the following items:

Topic	Comment
Enterprise risk management	› Detailed reviews of the enterprise risk management approach and the enterprise risk management universe at the March and November Committee meetings with updates in May and September. › Discussed and reviewed emerging risks and the potential opportunity and risk to business strategy and performance.
Business unit risk register reviews	› Detailed reviews of the businesses risk registers and the progression of mitigation actions.
Health, safety, and wellbeing	› Reviewed the Health and Safety Improvement Programme, focused on improving safety culture, data / metrics and performance. › Received an update on progress and planned activities around the management of occupational road risk. › Received a detailed update on the mental health and wellbeing strategy and current state across all businesses.
Information security/ Cyber security	› Reviewed the 2023 cyber strategy and improvement plan, including the 2023 implementation of two factor authentication and wider roll-out of single sign on processes. › Considered the Group's insurance portfolio in the context of cyber risk and recommended the purchase of cyber insurance in the Digital business. › Recommended and implemented quarterly cyber oversight meetings attended by the Committee Chair, Group IT Director and Company Secretary with others as required. › Reviewed legacy IT software/systems obsolescence, availability of support and maintenance and mitigation plan to address any potential risks. › Received a report on the outcome and ongoing plans for phishing attack testing.
Data protection	› Received a data protection update from the Group Data Protection Manager on 2023 activities (including the development of the data protection management framework) and next steps.
Environment	› Considered a review, from a third-party expert, of environmental risks affecting the Group, as well as the potential environmental opportunities given the Group's market position.
Compliance and ethics	› Received a review of compliance risks and the approach to attaining compliance assurance. › Noted the drafting and roll-out of the Group's Code of Conduct. › Noted the refresh and roll-out of the Group's Share Dealing Policy and Information Disclosure Policy. › Noted the review of the whistleblowing policies and procedures and re-communication of available channels to all colleagues. › Considered modern slavery risk across the Group and reviewed the updated Modern Slavery Statement, identifying areas for further improvement.
Property	› Considered a review of the property risks and migration actions. › Received an update on physical security strategy from the Group security controller with a separate visit for the Executive Committee to the third-party physical security operations centre.
People	› Received a detailed update on the Group's people risks and mitigation plans from the Chief People Officer.
Business continuity	› Received attestation from all businesses that they have Business Continuity Plans in place for every site and have successfully tested their execution. › Noted further improvements plans and actions for the Technology business.
Fire prevention	› Reviewed the Group's compliance with the updated Group Fire Prevention Framework.

Risk Committee Report continued

Principal risk assessment

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.

The trend indicator depicts the direction of our residual risk rating during 2023, and whilst subjective, we believe assists readers of the financial statements with a more dynamic assessment of risk across the Group.

Risk	Description of risk and potential impact	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 and financial performance.	› 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 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.

Risk	Description of risk and potential impact	Mitigation
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 greater 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 floating rate 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.

Future plans for 2024

The Risk Committee's role continues to evolve and it has set a challenging agenda for 2024. Aside from our standing agenda items, specific areas to be covered include:

- Further development of the enterprise risk management governance framework to more effectively support the identification and categorisation of risks, based on better defined risk appetites, together with a more focused approach on the development and implementation of mitigation plans.
- Deep-dives into the following: health, safety and wellbeing (particularly the wellbeing element); property (with particular focus on preventative maintenance and dilapidations); systems, technology, data and cyber (with particular focus on disaster recovery) and organic growth strategy (as we look to further develop the Group's strategy for growth).
- Review of certain existing compliance software tools (such as our health and safety reporting and incident tracking software tool) and looking at potential gaps to improve compliance and reporting in other areas (such contract lifecycle management).
- Broader and more regular assessment and discussions of emerging risks which have the potential to threaten the execution of our strategy or operations over the medium to long term. For the Group, this is likely to include:
    - societal risks such as the ongoing cost of living crisis driven by uncertain macroeconomic challenges;
    - environmental risks such as the increased likelihood of extreme weather event and failure to meet our environmental targets; and
    - technological risks such as increased cyber and AI uncertainties.

Section 172(1) Statement

Directors' duties

The Board has a duty to promote the long-term, sustainable success of the Company and of the wider Group. The general duty is set out in s172 of the Companies Act 2006 ("CA 2006"), under which a director must act in a way they consider (in good faith) would be most likely to promote the success of the Group for the benefit of its members and lists certain factors that the Board should have regard to in so doing.

The Board believes that good governance and strong ethics are essential to the success of Restore and for it to continue to be an attractive business for our investors, customers, employees and other stakeholders. The Board strives to maintain an open dialogue with our key stakeholders and recognises that this is key to the Group's success.

This statement sets out some of the main ways that the Board has engaged with stakeholders in 2023 and put in to practice the various factors underpinning s172 of the CA 2006. It should be read in conjunction with the following sections of the Annual Report:

Chair's Introduction – pages 2 to 3

Chief Executive Officer's Statement – pages 18 to 23

Chief Financial Officer's Statement – pages 24 to 27

Risk Committee Report – pages 44 to 47

Governance Statement – pages 54 to 58

The likely consequences of any decision in the long term

The Directors recognise the need to take a long-term view in every decision that they take. The slight shift in strategic focus during 2023 – improving operational performance, improving margins and maintaining high levels of cash generation whilst continuing to pursue our ESG strategy "Restoring our World" – ensures that the Group continues to focus on the priorities of our stakeholders and long-term value creation for our shareholders specifically.

The interests of the Group's employees

At Restore our people are at the heart of how we engage with each other, our clients, and the services that we provide. We know that to maintain and build upon the great service we offer our customers, we must ensure that we continue to invest in a safe, inclusive and rewarding environment for our employees to work in. We launched Our People strategy in 2021 and, whilst there is still more to do, we have delivered against a number of key areas to enable people to perform at their best and generate a positive culture for all employees. For our business to succeed we need to manage our people's performance and development and bring through talent while ensuring we operate as efficiently as possible.

Our People focuses on five key themes:

- Health, safety and wellbeing
- Culture
- Community Impact
- Enriching Careers
- Diversity and Inclusion

The Group has established a Colleague Network Programme which is an important part of delivering its DEIB goals. The networks are run by our colleagues for our colleagues and each network has a committee with the chair of each committee sitting on the Group's Diversity Council. The networks cover various under-represented groups, or groups with protected characteristics.

The Directors believe that the involvement of employees is an important part of the business culture. Employees are Restore's most important asset and contribute to the successes achieved to date and the Board encourages an open, two-way dialogue with Restore's employees. This has been particularly important during 2023, given the significant changes at executive level. The Board receives updates from the Executive Directors and/or the Chief People Officer on people matters at Board meetings, with a focus on employee engagement and culture, to ensure that employee considerations are taken into account in the Board's decision-making. In addition, the Nominations Committee reviews succession and retention of senior staff on an annual basis, supported by the Remuneration Committee which looks at mechanisms to best align senior employees and the wider workforce to the strategic priorities of the Group with the use of LTIPs and Restore's all-employee SAYE scheme.

The Group's employee intranet "Circle" is a key medium for maintaining dialogue with the workforce and ensuring that employees are kept up to date with the latest news relating to the Group and the businesses, as well as Group-wide and local initiatives and compliance updates. The Executive Directors continue to be very actively engaged with the businesses, carrying out regular site visits.

Read more:

Our people – pages 28 to 43

The need to foster the Group's business relationships with suppliers, customers and others

Our strategy focuses on operational performance, margin improvement and maintaining high levels of cash generation. We need to develop and maintain strong customer and supplier relationships in order to deliver on our goals. The Group has a formal process in place for new suppliers, which includes new suppliers contracting with and agreeing to Restore's terms of business wherever possible. Existing supplier relationships are also periodically reviewed.

Read more:

Customers and suppliers – pages 28 to 43

The impact of the Group's operations on the community and the environment

The Group's approach is to use our position of strength to create positive change for the people and communities with which we interact, along with delivering a secure and sustainable business future, focusing on Our Planet, Our People and Our Business. We leverage our expertise to enable colleagues to support the communities around us and to ensure that we are focused on the impact we make on the environment we operate in.

Read more:

Communities and the environment – pages 28 to 43

The importance of the Group maintaining a reputation for high standards of business conduct

The Board are aware of the responsibility of setting the tone from the top. This ensures that we maintain our reputation for providing the highest quality of service for our customers whilst operating at the highest level of integrity. Our governance framework enables effective decision-making and clear accountabilities, supported by day-to-day policies and procedures.

Read more:

Governance Statement – pages 54 to 58

Risk Committee Report – pages 44 to 47

ESG Committee Report – pages 28 to 43

Audit Committee Report– pages 59 to 61

The need to act fairly as between the members of the Group

The Board is conscious of the need to balance the broad range of interests and perspectives of our shareholders and is committed to openly engaging with our shareholders, as we recognise the importance of a continuing effective dialogue, whether with institutional investors, private, or employee shareholders. It is important to us that shareholders understand our strategy and objectives, so these are explained clearly, feedback heard and any issues or questions raised properly considered.

Read more:

Shareholders – pages 68 to 70

The Strategic Report on pages 2 to 49 was approved by the Board of Directors on 13 March 2024 and signed on their behalf by:

Charles Skinner,
Chief Executive Officer
13 March 2024

Dan Baker,
Chief Financial Officer
13 March 2024


Caution
Stand clear when bale is ejected.
PAALGROUP

Governance

Board of Directors

Our key principle is that power and responsibility go hand in hand. Our people know what is expected of them and we give them the power to make their own decisions.

Jamie Hopkins
Chair (independent on appointment)

Appointed to the Board January 2020

Jamie was previously Chief Executive Officer of Workspace Group plc from 2012 until May 2019. Prior to that he served as Chief Executive and then a non-executive director of Mapeley plc from 2002 until 2010 and a director of Chester Properties from 2009 to 2012. Jamie also acted as Investment Director of Delancey Estates and Savills between 1990 to 2002. Jamie is a member of the Royal Institution of Chartered Surveyors.

Jamie has significant experience of running a FTSE 250 company, bringing diversity of thought and an excellent understanding of business and the property sector, which is important due to Restore's large property estate.

Current external appointments

- Non-executive director of Allsop LLP

Committees

- Chair of Nominations Committee and Property Committee
- Member of Audit, Remuneration and ESG Committees

Charles Skinner
Chief Executive Officer

Appointed to the Board September 2023

Charles was Chief Executive Officer of Restore between 2009 and 2019 and has a very strong track record in the business-to-business services sector with over 30 years of senior management experience in listed companies, twenty years of which were as Chief Executive. Prior to his ten years as Chief Executive Officer of Restore, Charles was Chief Executive Officer of Brandon Hire plc and Chief Executive Officer of Johnson Service Group plc. Charles was recently made an Honorary Fellow of Oriel College, University of Oxford.

Current external appointments

- Non-executive director of Marlowe plc

Committees

- Member of ESG Committee

Dan Baker
Chief Financial Officer

Appointed to the Board November 2023

Dan joined Restore from EV Metals Group plc where he was CEO of its Battery Materials business following its acquisition from Johnson Matthey plc in 2022. Between 2018 and 2022 he held the role of Finance and Strategy Director, Battery Materials at Johnson Matthey plc. Prior to that, Dan had a number of senior roles at Smith & Nephew plc, including Group Financial Controller and CFO China.

Dan is a qualified chartered accountant and joined Smith & Nephew plc in 2013 from Deloitte LLP where he was an Audit Director, having spent eleven years within their audit practice.

Current external appointments

- None

Committees

- Member of ESG Committee

Susan Davy

Senior Independent Director

Appointed to the Board January 2019

Susan is currently Chief Executive Officer at Pennon Group plc, a FTSE 250 environmental infrastructure group, a position held since 31 July 2020, having previously been Chief Financial Officer since 2015 and non executive director at Viridor. In her 27+ years' experience in the listed utility sector, Susan has also held several other senior roles in the sector, including at Kelda Group plc.

Susan is a qualified chartered accountant.

Susan's FTSE experience, alongside significant corporate and financing experience brings a diversity of experience to Restore.

Current external appointments

- Chief Executive Officer of Pennon Group plc

Committees

- Chair of Audit Committee
- Member of Remuneration, ESG and Nominations Committees

Lisa Fretwell

Independent Non-Executive Director

Appointed to the Board April 2022

Lisa was most recently Managing Director for Experian's UK Data Business, prior to which she held senior executive roles in business management, transformation and consulting for Cisco and Cap Gemini.

Lisa was awarded Business Leader of the Year by Women in Credit in 2020.

Current external appointments

- Non-executive director of Santander UK
- Member of Council at the University of Birmingham
- Strategic Advisor to Tresmares Capital and Haysto Mortgage Brokers

Committees

- Chair of Remuneration Committee, Chair of Risk Committee and Chair of ESG Committee
- Member of Audit and Nominations Committees

Governance Statement

Jamie Hopkins, Chair

On behalf of the Board of Restore plc, I am pleased to report on Restore's corporate governance during the 2023 financial year.

The role of the Board

The Board ensures that the Group is managed for the long-term benefit of all shareholders with corporate governance being an essential element of this. It takes an important role in setting and reflecting the Group's culture and core values and the Non-Executive Directors work closely with the Executive Directors to ensure the success of the Group. The Board is responsible for the overall leadership, strategy, development and control of the Group in order to achieve its strategic objectives.

The Group is led and controlled by the Board which currently consists of two Executive Directors and three Non-Executive Directors and is chaired by myself. Board meetings are held on a regular basis and no significant decision is made other than by the Directors. All Directors participate in the key areas of decision making.

Our approach to governance

Governance in the Group underpins how we run our business and our commitment to transparency, fairness, sustainability and equality. The Group recognises who our key stakeholders are and values building strong relationships with them in order to gain a better understanding of what is important to them and how our decisions impact them.

The business is led by a highly qualified and experienced Board with sector and specialism relevance drawn from working across FTSE 100 and FTSE 250 organisations. The Group has adopted the 2018 Quoted Companies Alliance Corporate Governance Code ("QCA Code" or the "Code") which is considered appropriate for an AIM listed company. Our application of the Code to the Group can be found on our website. During 2024 the Company will be reviewing the changes introduced by the 2023 QCA Code with a view to aligning to its recommendations.

The Board of Directors is the principal decision-making body of the Group. The Group's governance framework is structured to maintain good oversight and control over: finance and management reporting; compliance/regulatory matters; risk management; and approval of material decisions. Except for those matters reserved for the Board (as set out on the next page), it operates through delegating much of its detailed review work to sub-committees of the Board and other executive committees incorporating a range of senior Group employees. In addition to the main Board, the Group operates Audit, Remuneration, Nomination, Risk, Property and ESG Committees each of which is led by one of our highly qualified Non-Executive Directors. More information on these Committees is provided below and in the reports of the Audit, Remuneration, ESG and Risk Committees.

The Senior Independent Director ("SID") acts as a sounding board for the Chair and is available as a trusted intermediary for other Directors. The Company Secretary's responsibilities include providing clear and timely information to the Board and providing advice and support to the Board on legal matters as well as corporate governance and risk.

The strong governance structure extends into the day to day running of the business through the Executive Committee (the "ExCo") comprising the CEO and CFO, the General Counsel and Company Secretary, our Chief People Officer and each of the business unit Managing Directors. The ExCo meets monthly to review performance and discuss key financial and strategic issues. Each business has its own Senior Leadership Team ("SLT") under the guidance of the CEO and CFO who attend the monthly SLT meetings in order to assess performance and develop business strategy across a balanced scorecard of management areas.

The Group maintains a panel of external professional advisers to ensure legal, tax and regulatory compliance. These include KPMG (tax), Fieldfisher (legal), Investec and Canaccord (joint brokers) and Ellason (remuneration). Investec act as the Group's nominated advisor ("Nomad") and guide management in ensuring adherence to current, and preparing for future, market requirements and best practice. Reporting assurance is provided by PwC who act as the Group's independent auditors with rotation as required in accordance with good practice.

The Group is recognised as the sector leader in providing secure, highly accredited services to public and private sector organisations. Delivering consistently high-quality services is central to our customer focused approach and assurance is provided to the Board and customers through the extensive quality, compliance and health, safety and welfare teams in the businesses who manage process quality to a high standard. Processes are subject to both internal review and external audit and our continuous improvement culture ensures our operational leadership team are continually enhancing process effectiveness to improve quality and efficiency.

The Board engages directly with shareholders and employees and this helps our decision-making as well as delivering our strategy. The Group recognises the impact of its operations on the environment, its responsibility to the communities it operates within and its obligations to its people, its suppliers and other stakeholders.

Read more:

Our business model and strategy – page 5

Principal risks and uncertainties – pages 46 to 47

Matters reserved for the Board

The matters reserved for the approval of the Board include the following:

- any changes to the range of services offered by the Group;
- significant acquisitions or entry into major supply or customer contracts;
- the release of all RNS announcements except for those relating to the share-based incentives or notifications of changing in holdings from investors;
- the release of all significant press announcements;
- the issue of equity;
- the issue of new grants under existing share-based incentive schemes;
- the creation of any new equity-based employee incentive schemes or bonus schemes for the executive members;
- the disposal of any Group company;
- the annual budget, business plan and Group strategy;
- any change in external auditors;
- Directors' share dealing;
- market purchase of shares in the Group;
- approval of material capex outside of the Group budget;
- appointment of new Directors and approval of Directors' remuneration;
- approval of major new contracts;
- approval of the annual report and interim statement;
- approval of all dividends;
- approval of changes in accounting policies;
- approval of Group policies;
- approval of conduct of any major litigations; and
- approval of policies on political and charitable contributions.

Board Committees

The Audit Committee, chaired by Susan Davy, comprises the Chair and Non-Executive Directors and is responsible for monitoring the integrity of the financial statements of the Group. The Audit Committee report is set out on pages 59 to 61.

The Remuneration Committee, chaired by Lisa Fretwell, comprises the Chair and Non-Executive Directors and its report is set out on pages 62 to 67.

The ESG Committee is be chaired by Lisa Fretwell and comprises the Chair and the Executive and Non-Executive Directors with subject matter experts in attendance. The ESG Committee Report is set out on pages 28 to 43.

The Nominations Committee comprises all of the Non-Executive Directors. The Committee is chaired by myself unless the matter under discussion is my own succession. Other Directors and the Chief People Officer are invited to attend as appropriate. The Committee is also assisted by external executive search consultants as and when required. The Committee will typically meet once a year with additional ad hoc meetings where necessary. The Committee's principal responsibility is to lead the process for Board appointments and to make recommendations for maintaining an appropriate balance of skills on the Board. The Committee also meets to discuss succession planning for Board and key senior executive roles. The Board aims to maximise development of internal talent and where appropriate involve external advisers. 2023 was a busy year for the Remuneration and Nominations Committee given the various changes during the year and which are described in more detail below.

In addition to the above Board Committees, the Group has an established Risk Committee, chaired by Lisa Fretwell, comprising the Executive Directors and the Business Unit Managing Directors as members. The Risk Committee Report is set out on pages 44 to 47. There is also a Property Committee which meets monthly, chaired by Jamie Hopkins and attended by the CEO, CFO and Group Property Director.

It should be noted that the terms of reference for the Audit, Remuneration, Nominations and ESG Committees all state that those committees should be made up of at least three independent non-executive directors, with a quorum of two. For part of the year, due to Jamie Hopkins and Sharon Baylay-Bell moving into executive roles, those committees were made up of only two independent non-executive Directors. However the quorum was always satisfied.

The terms of reference of each Committee are available on our website.

Governance Statement continued

Leadership and Board changes during the year

There have been significant changes to the Board during 2023. Whilst the Board (through the Nominations Committee) reviews its succession plan on a regular basis, the timing of these changes was unexpected. However, the Board demonstrated its flexibility and the breadth of its skills and experience to successfully navigate this period of change.

On 14 June 2023 the Group announced that Neil Ritchie had notified of his intention to step down as CFO. Immediately following this notification, the Board commenced an independent search process for both an interim and permanent replacement CFO. Mike Killick was subsequently appointed as Interim CFO on 21 August 2023 and then as Director of the Group on 1 September with Neil Ritchie stepping down as Director on the same date. Following the conclusion of the permanent replacement search process, Dan Baker was appointed as CFO and Director of the Group with effect from 13 November, with Mike Killick stepping down on the same day. Neil Ritchie supported the Group during his notice period as required to assist with the handover of responsibilities.

On 4 July 2023 the Group announced that Charles Bligh would be standing down as CEO by mutual consent. I stepped in as Interim CEO, with Sharon Baylay-Bell moving into an Executive Chair role to provide additional support until the completion of the CEO search process. Sharon continued as Chair of the Nominations Committee during this period, except to the extent that Nominations Committee discussions related to Sharon herself. The Board considered this to be the best combination to navigate the interim period, given my extensive leadership experience with relatively recent listed company CEO experience at Workspace Group plc (until 2019) and Sharon's in-depth understanding of the Group following over eight years on the Board and her business and support services sector knowledge. Following a thorough and independent search process, Charles Skinner emerged as the clear candidate for the CEO role, a role that he had previously held between 2009 and 2019. Charles was appointed as CEO and Director of the Group on 5 September with Sharon resuming her role as Non-Executive Chair at the same time. I continued as an Executive Director to facilitate an orderly handover.

On 30 October 2023, it was announced that Sharon Baylay-Bell would be stepping down as Chair and Director of the Group after a nine-year non-executive tenure. In line with the succession plan, the Nominations Committee considered me to be the preferred candidate to take over as Chair and recommended my appointment as Chair to the Board. The Board approved my appointment which was announced on 30 October. The Board and I would like to take this opportunity to again thank Sharon for her contribution to Restore in the various Board and Board Committee roles that she has held since 2014.

Given the various changes at Board level since June, there have inevitably been changes to the membership and Chair positions of the various Board Committees. On 4 July, with my appointment as Interim CEO, Lisa Fretwell replaced me as Chair of the Remuneration Committee (in addition to her roles as Chair of the Risk and ESG Committees) and Susan Davy as SID (in addition to her role as Chair of the Audit Committee). Following my appointment as Chair of the Board, both Lisa and Susan have continued in those roles, and I have taken over as Chair of the Nominations Committee. In addition, I have taken the role of Chair of the more formalised Property Committee to provide additional governance and expertise to this important topic for Restore.

In 2023, the Nominations Committee received advice from the following independent external search firms in respect of various Board roles: Russell Reynolds, Odgers and Teneo. None of these search firms had any disclosable connections with any Board Directors or with the Group.

Diversity and inclusion

As a Group, we continue to value our diversity at all levels throughout the organisation, both in terms of gender, ethnicity and experience. At Board level, whilst our gender diversity balance has changed slightly since the departure of Sharon Baylay-Bell, we continue to maintain strong gender diversity with two out of the five Board Directors being female, including a female SID in Susan Davy. As we move into 2024, gender and ethnic diversity will continue to be an important topic for consideration in all hiring processes, not least at Board level.

Skills, experience and independence

The Board is satisfied that there is a suitable balance between Group knowledge and independence in order to discharge its duties and responsibilities effectively. All Non-Executives are independent and commit the required time necessary to fulfil their roles. This includes myself notwithstanding my brief term as Interim CEO. The Board is satisfied that this has not impacted my independence and that I continued to be regarded as independent on appointment as Chair.

During 2023 there were 12 Board meetings, 9 meetings in the ordinary course of business and 3 to assess significant decisions and ad hoc matters.

As the Group continues to develop, the composition of the Board is regularly considered in order to ensure that it remains appropriate. All Directors retire annually and are required to be reappointed by the shareholders at the Annual General Meeting.

The Board takes decisions regarding the appointment of new Directors, and this is done following the appointment of an external independent recruiter as well as a thorough assessment of potential candidates' skills and suitability for the role.

The Board considers and reviews the requirement for continued professional development of the Directors and undertakes to ensure that their awareness of developments in corporate governance and the regulatory framework is current, as well as remaining knowledgeable of any industry-specific updates. Our Nomad (Investec) and external advisers also support this development, by providing guidance and updates as required. The biographies of each of the Directors, including their experience and skills are shown on pages 52 to 53.

The Directors are responsible for preparing the financial statements as set out in the Statement of Directors' Responsibilities on page 71. Information on the remuneration arrangements for the Directors and senior management is set out in the Directors' Remuneration Report on pages 62 to 67.

Board performance evaluation

Following the external Board evaluation carried out by Fidelio in September 2022, the Board has during the year followed through on many of the recommendations made in the Fidelio report, including:

- improving the quality and focus of Board materials;
- the appointment of a new General Counsel and Company Secretary to address the need for greater company secretarial support;
- more frequent and informal dialogue between Non-Executive Directors and Executive Directors; and
- greater engagement between the Non-Executive Directors and Group employees and greater consideration of employee succession, retention, culture, satisfaction and wellbeing matters.

In January and February 2024, an internal questionnaire-based evaluation was carried out to assess the performance of the Board and the principal Committees during 2023. The responses were then collated into a report for review and discussion by the Board and the principal Committees. In addition, the Chair held one-to-one confidential discussions with each Director, with the SID holding one-to-one confidential discussions with each Director on the performance of the Chair.

The key findings from this recent evaluation include the following:

- **Composition and diversity:**
  - Look for opportunities in 2024 to further improve the Group's diversity and the skills matrix.
- **Succession:**
  - Following wholesale Board changes in 2023, continue to build relationships and succession plans.
- **Agenda and Board papers:**
  - Improve the balance between the focus on day-to-day matters and on strategy as the Group continues to stabilise; and
  - Improve the use of KPIs and dashboards in Board papers to enhance the reporting on performance delivery.
- **ESG Committee:**
  - Continue to increase Board and management focus on the Group's ESG agenda.
- **Training:**
  - Expand on the training programme and continuous development opportunities for Directors.

The Board will follow-up on these findings and make recommendations to address them.

2023 Board and Committee meetings and attendance

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

	Board meetings	Audit Committee meetings	Remuneration Committee meetings	ESG Committee meetings	Nomination Committee meetings
Executive Directors					
Charles Skinner[1]	3/3	N/A	N/A	1/1	N/A
Dan Baker[2]	1/1	N/A	N/A	1/1	N/A
Charles Bligh[3]	6/6	N/A	N/A	1/1	N/A
Neil Ritchie[4]	8/8	N/A	N/A	1/1	N/A
Mike Killick[5]	3/3	N/A	N/A	N/A	N/A
Non-Executive Directors					
Jamie Hopkins[6]	12/12	3/3	5/5	2/2	3/3
Susan Davy	12/12	5/5	9/9	1/2[8]	6/6
Lisa Fretwell	12/12	5/5	9/9	2/2	6/6
Sharon Baylay-Bell[7]	10/10	2/2	5/5	1/1	6/6

1 Charles Skinner was appointed to the Board on 5 September 2023.
2 Dan Baker was appointed to the Board on 13 November 2023.
3 Charles Bligh stepped down from the Board on 4 July 2023.
4 Neil Ritchie stepped down from the Board on 1 September 2023.
5 Mike Killick was appointed to the Board on 1 September 2023 and stepped down on 13 November 2023.
6 Jamie Hopkins ceased to be a member of the Audit, Remuneration and Nominations Committees whilst he was Interim CEO/Executive Director between 4 July and 30 October 2023. However, he did continue to attend all committee meetings, except where the discussion related to his role.
7 Sharon Baylay-Bell stepped down from the Board on 30 October 2023 and was not a member of the Audit and Remuneration Committees whilst she was Executive Chair between 4 July and 5 September 2023. However, she did continue to chair the Nominations Committee during that period, except where the discussion related to her role or succession.
8 Susan Davy was unable to attend the December ESG Committee due a prior commitment.

Governance Statement continued

Relations with shareholders

The Chief Executive Officer and the Chief Financial Officer are the Group's principal contact for investors, fund managers, the press and other interested parties. The Group meets regularly with its large investors and institutional shareholders who, along with analysts, are invited to meetings by the Group after the announcement of the Group's results. The Group conducts frequent investor roadshows in the UK and this year held a capital markets event on 16 November 2023, the recording of which is available on the Group's website. At the Annual General Meeting, investors are given the opportunity to put questions to the Board.

Internal control

The Board acknowledges its responsibility for establishing and monitoring the Group's systems of internal control.

Whilst no system of internal control can provide absolute assurance against material misstatement or loss, the Group's systems are designed to provide the Directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately. As noted in the Audit Committee Report, the Committee reviews and discusses the control risks across the business including review of documentation, engagement of external audit and compliance assurance and process improvement plans as required.

The Board and Audit Committee continue to assess the effectiveness of the governance and internal controls environment through regular discussion with management and the external auditors.

No significant control deficiencies have been identified during the year and no weakness in internal financial control has resulted in any material losses, contingencies or uncertainties which would require disclosure. The Board considers that, given the control environment described above, there is no current requirement for a separate internal audit function. The Board will keep this under review during 2024.

Jamie Hopkins, Chair

13 March 2024

Compliance statements

QCA Code 2018

Throughout the year ended 31 December 2023, the Group has complied with the recommendations as set out in the QCA Code 2018. An explanation of the Board's view on this matter is set out on page 54 in the Governance Statement and also on our website.

Risk management and internal control

The Group's approach to risk management and internal control is set out on pages 44 to 47.

Section 172(1) Companies Act 2006 statement

Section 172(1) of the Companies Act 2006 imposes on directors a duty to act in the interests of a broad range of stakeholders including shareholders, employees, suppliers and local communities. A statement in respect of compliance with s172(1) is on pages 48 to 49.

Board certification

The Strategic Report, and this Annual Report generally, has been reviewed and approved by the Board. The Board confirms that it considers that the financial statements taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance.

Audit Committee Report

Susan Davy ACA, Chair of the Audit Committee

On behalf of the Board, I am pleased to provide the Audit Committee's Report for 2023. This report is intended to provide shareholders with an insight into the work of the Audit Committee together with details of how the Committee has discharged its responsibilities throughout the year.

The Committee continues to focus on three key responsibilities:

- ensuring the quality and integrity of the Group's financial reporting. This is done through an assessment of the appropriateness of the accounting policies applied and through challenging management regarding the key judgements and estimations which underlie the Group's financial reporting;
- assessing the adequacy of the Group's governance and internal controls environment through regular discussion with management and the external auditors and consideration of the evolution of the Group's financial systems strategy; and
- consideration of both near term and strategic financial risk.

These responsibilities are discharged throughout the year in accordance with a schedule of business that reflects the annual reporting cycle of the Group and provision of sufficient time for other Audit Committee matters.

Committee membership

Consistent with last year, the Audit Committee consisted of myself as Chair together with the other Non-Executive Directors . Only members of the Committee have the right to attend Committee meetings with other parties attending by invitation, this includes the Chief Executive Officer, Chief Financial Officer, Company Secretary and the external Auditors, PricewaterhouseCoopers LLP ("PwC"). The Committee holds private discussions with the external Auditor without management present, and the Committee Chair communicates with the Chief Financial Officer, the external Auditor and the Committee members outside of meetings to better understand any issues or areas for concern.

Attendance by individual members of the Committee is disclosed in the table on page 57.

Committee structure

The Committee operates under written terms of reference which can be found on the Group's website. They are reviewed annually by the Committee and are recommended to the Board for approval. The Committee has in its terms of reference the power to engage outside advisors and to obtain its own independent external advice at the Group's expense, should it be deemed necessary.

Significant matters considered by the Committee

A schedule of ordinary business was agreed by the Committee prior to the commencement of 2023 and a calendar was set in place to ensure that the Committee was able to manage its affairs efficiently and was able to concentrate on the key Audit Committee matters that affect the Group.

During the year the Committee met five times to consider these ordinary business matters with several additional ad hoc meetings held with management to discuss general corporate matters including refinancing arrangements. The ordinary matters that the Committee considered during the year and, where appropriate, since the year end, are set out on the next page.

Audit Committee Report continued

Ordinary matters considered by the Audit Committee since my last report include:

Audit and external assurance	› Assessment of the independence and effectiveness of PwC in performing of their role › Oversaw the statutory audit, including key audit risks and level of maturity applied by the external Auditors › Oversight of the external Audit partner rotation › Recommendation to the Board on reappointment of PwC as external Auditors at the Group's AGM in May 2023 and agreement of their fees › Approval of the PwC audit plan for the year to 31 December 2023 including discussion on evolution of scope to reflect the growing size and changing shape of the Group › Consideration of the external Auditors' report for the year to 31 December 2023 › Approval of the continued engagement of KPMG as the Group tax advisor › Review of KPMG's annual tax report and management's Senior Accounting Officer report and assurance on Group and entity tax compliance
Financial reporting	› Reviewed and discussed reports from management on the financial statements, considered key accounting judgements and estimations, and assessed the findings of the statutory audit in respect of the integrity of the full and half year results › Review of the 2023 Annual Report and results announcement › Review of half-year results and half-year results announcement › Review of management's application of relevant reporting standards › Reviewed the internal assessment of going concern on behalf of the Board
Governance	› Review and discussion on progress in developing Group and subsidiary financial policy frameworks › Review of the financial statements of the Restore plc Employee Benefit Trust for the year ending 31 December 2022 and consideration of shares held by the trust for satisfaction of share incentive schemes › Post acquisition review of 2022 acquisitions and discussion on delivery of the various business cases and learnings for future acquisitions
Internal controls	› Held meetings with the external Auditor without members of the management being present › Assessment of requirement for an internal audit function and performance of external assurance provider › Consideration of the Group's financial systems strategy › Review of whistleblowing report for 2023
Accounting policies	› Review of evolution of accounting policies adopted by the Group › Consideration of Alternative Performance Measures ("APMs") › Consideration of the appropriateness of operating segments for reporting purposes
Financing risk	› Proposals to obtain borrowing from the U.S. Private Placement market ("USPP") in order to fix a proportion of interest rate exposure and broaden sources of finance available to the Group › Proposals to voluntarily cancel an element of the Group's revolving credit facility in March 2024 and proposal to extend term to April 2027 › Detailed review of cashflows for the purposes of going concern, including tests for the potential impact of an economic downturn

Areas of focus

Regarding the monitoring of the integrity of the financial statements, which is a key responsibility of the Committee, the significant areas of judgement considered in relation to the financial statements for the year ended 31 December 2023 are set out below. At the Committee's meetings throughout the year, the Committee and the external Auditor have discussed these key judgements, together with the areas of particular audit focus as reported in the independent auditors report on pages 72 to 77. In addition to the significant judgements set out below, the Committee considered presentational disclosures including the use of APM's and ensuring a fair presentation of statutory and non-statutory performance and financial measures. The Committee also received reports in respect of the financial system upgrade.

Carrying value of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. The Committee recognises that goodwill is a material balance and that its value can be sensitive to key assumptions in the relevant cash flow projections, including the discount rate applied, the long-term growth rate applied and the underlying cash flows used.

Following a detailed review of the analysis undertaken, and consideration of management assumptions, the Committee is satisfied that a robust and consistent approach has been followed and that where an impairment has been recognised, it is appropriately stated. The carrying value of the assets post impairment are considered to be reasonable, and therefore the Committee is able to approve the disclosures in the financial statements.

Dilapidations provision

The Group is required to recognise a provision in respect of the reinstatement and dilapidation costs from exiting a property. The Committee recognises that the value of the provision recorded is based on a number of key estimations and judgements including the cost per square foot required for dilapidations and the likelihood of the Group exiting the site. Following a review of the dilapidations provision at the year end, the Committee is satisfied that the provision is appropriately recorded and that the judgements and estimations underlying it are balanced and reasonable.

Going concern basis for the preparation of the financial statements

A report from the Chief Financial Officer of the financial performance of the Group, including forward looking estimates and funding levels and covenant compliance was provided to the Committee. Consideration of the report and constructive challenge of the scenario testing has enabled the Committee to satisfy itself that it remains appropriate to adopt the going concern basis of accounting in preparation of the financial statements.

Oversight of risk management and internal controls

The Board is responsible for the effectiveness of the Group's risk management and internal controls. The Committee has received a report on the control risks in each business, key policies and procedures in place, the assurance work completed to check adherence to those polices and the follow up actions taken to address any issues identified. During the year, a review of revenue recognition and associated controls was undertaken, although a number of minor process improvements were observed, there were no material matters to note.

A confidential whistleblowing process is available to colleagues and stakeholders to facilitate reporting of any malpractice, illegal acts or omissions. All reported incidents are followed up and the actions taken reviewed by the Board. A review of the 2023 whistleblowing matters has been conducted by the Committee with no material matters to note.

Oversight of external auditor and performance evaluation

Shareholders formally approved the re-appointment of PwC at the Annual General Meeting in May 2023. There is no intention to conduct a re-tendering exercise currently, but this will be reviewed annually, taking into account the performance and effectiveness of the external Auditor, as assessed by the Committee.

The previous audit partner completed their maximum term of office following the conclusion of the 2022 audit. During the year, meetings were held with other partners at PwC following which it was agreed that Alex Lazarus would replace Kate Wolstenholme as audit partner with effect from the completion of the 2023 audit. Alex Lazarus observed several key meetings during the 2023 process to ensure he was familiar with the Group and its business, ahead of assuming the role as audit partner.

The Audit Committee has reviewed the independence of PwC LLP and the conduct of the audit for the financial year ended 31 December 2023.

Looking forward

During 2024, the Committee will remain focused on the key areas of responsibility delegated to it by the Board ensuring that standards of good governance are maintained, and that appropriate assurance is obtained across all areas of the business.

Susan Davy, Audit Committee Chair
13 March 2024

Directors' Remuneration Report

Lisa Fretwell, Chair of the Remuneration Committee

"On behalf of the Remuneration Committee, I am pleased to present our 2023 Remuneration Report. This report explains the role of the Committee, the policies it has implemented, and its activities during the year. As a committee, we strive to foster a strong performance culture through a well-balanced and aligned remuneration policy."

The Committee is responsible for determining the remuneration policy for the Executive Directors and senior management, as well as its implementation and development over time to ensure that it supports the delivery of the Group's strategy and purpose. The Committee has agreed Terms of Reference which are available on our website. These are kept under regular review and are benchmarked to ensure that they remain appropriate and reflect any changes which may be required as a result of changing regulation, legislation, or best practice.

Remuneration Committee composition

The Committee consists of myself as Chair, having taken over that role from Jamie Hopkins on 4 July 2023, and the other Non-Executive Directors. The Committee meets at least three times a year and at other times as appropriate. During 2023, the Committee retained Ellason LLP as its appointed independent advisor, with other advisory bodies engaged from time to time as required.

The Committee is committed to adhering to good practice for Executive pay, ensuring that Restore's remuneration philosophy and approach is fit-for-purpose, aligns executive interests with those of shareholders and other stakeholder groups, and is appropriately competitive in the context of market practice to enable Restore to attract, motivate and retain talented individuals to deliver success. The fixed salary and fees for Executive and Non-Executive Directors are set out within this report, as are the structures that govern variable or performance-based reward.

As a member of the Committee during 2023, latterly as its Chair, I continue to be satisfied that the Committee has an appropriate level of skill and experience to execute its duties and that where appropriate it will engage external advisors to support the work of the Committee.

Significant matters considered by the Committee

In 2023 the Committee met nine times. Its main activities during the year were as follows:

Overarching remuneration policy and compliance

- review and benchmark the approach to senior executive remuneration to ensure it remains fit-for-purpose and appropriately incentivises delivery of the Group's strategy and rewards performance;
- review and agree the structure and content of the 2022 Directors' Remuneration Report;
- review and approve Restore's gender pay gap report; and
- review and reapprove the appointment of the external remuneration advisor for 2023.

Remuneration policy implementation and outcomes

- review and approve the annual salary increases for executive Directors;
- review and agree the outcome and performance achievement and payment of the 2022 bonuses;
- review and agree the performance achievement of the 2020 LTIP scheme that vested during 2023;
- review and agree the structure, measures and targets for the 2023 annual bonus scheme;
- agree the performance conditions and participants for the new 2023 LTIP awards; and
- review and approve the annual fee increase for the Chair and recommend to the Board for approval the fee increase for Non-Executive Directors.

Ad hoc and wider remuneration matters

- review and approve the remuneration packages for Charles Skinner, Dan Baker, Mike Killick (Interim CFO), Jamie Hopkins (Interim CEO) and Sharon Baylay-Bell (Exec Chair);
- approve remuneration terms for Charles Bligh and Neil Ritchie on cessation of employment;
- review the annual salary increases for senior management and the wider workforce;
- consider whether to implement an all-employee SAYE scheme for 2023;
- review dilution arising from equity-based incentive plans; and
- approve share scheme satisfaction strategy, including funding of the Restore employee benefit trust in order to purchase Company shares in the market to satisfy share-based awards.

Directors' contracts and letters of appointment

The Group's policy on Executive Directors' service contracts is that, in line with the best practice provisions of the UK Corporate Governance Code for notice periods to be one year or less, they are terminable by either party on six months' notice.

Executive Directors	Date of contract	Notice period
Charles Skinner	4 September 2023	6 months
Dan Baker	27 October 2023	6 months

The current Non-Executive Directors do not have service contracts but have letters of appointment.

Non-Executive Directors	Date of letter	Notice period
Jamie Hopkins[1]	11 January 2024	3 months
Susan Davy	12 December 2018	3 months
Lisa Fretwell	19 April 2022	3 months

[1] Jamie Hopkins' previous letter of Non-Executive Director appointment was terminated and replaced on his appointment as Chair.

Annual report on remuneration

Directors' emoluments

The aggregate emoluments of the Directors of the Company during 2023 and 2022 were:

£'000	Salary and fees	Bonus	Benefits	Pension costs	Total 2023
Executive Directors					
Charles Skinner[1]	155	–	–	8	163
Dan Baker[2]	48	–	2	1	51
Charles Bligh[3]	236	–	9	23	268
Neil Ritchie[4]	242	–	10	11	263
Mike Killick[5]	151	–	–	–	151
Jamie Hopkins[6]	139	–	–	–	139
Sharon Baylay-Bell[7]	219	–	–	–	219
Non-Executive Directors					
Jamie Hopkins[6]	79	–	–	–	79
Sharon Baylay-Bell[7]	59	–	–	–	59
Susan Davy[8]	63	–	–	–	63
Lisa Fretwell[9]	67	–	–	–	67
	1,458	–	21	43	1,522

[1] Charles Skinner was appointed to the Board on 5 September 2023.
[2] Dan Baker was appointed to the Board on 13 November 2023.
[3] Charles Bligh stepped down from the Board on 4 July 2023 and his employment ceased on 4 January 2024.
[4] Neil Ritchie stepped down from the Board on 1 September 2023 and his employment ceased on 13 December 2023.
[5] Mike Killick was appointed to the Board on 1 September 2023 and stepped down on 13 November 2023.
[6] Jamie Hopkins was served as Interim CEO between 4 July and 5 September 2023. He remained an Executive Director until 30 October 2023, at which time he was appointed as Non-Executive Chair.
[7] Sharon Baylay-Bell served as Executive Chair between 4 July and 5 September 2023 after which she continued as Chair in a non-executive capacity until stepping down from the Board on 30 October 2023.
[8] Susan Davy was appointed SID on 4 July 2023.
[9] Lisa Fretwell was appointed Chair of the Remuneration Committee on 4 July 2023.

Directors' Remuneration Report continued

£'000	Salary and fees	Bonus	Benefits	Pension costs	Total 2022
Executive Directors					
Charles Bligh	451	198	18	45	712
Neil Ritchie	311	109	14	16	450
Non-Executive Directors					
Sharon Baylay-Bell	113	–	–	–	113
Jamie Hopkins	63	–	–	–	63
Susan Davy	56	–	–	–	56
Lisa Fretwell[10]	40	–	–	–	40
	1,034	307	32	61	1,434

[10] Lisa Fretwell was appointed to the Board on 19 April 2022.

2023 Salary increases

The Executive Directors and Non-Executive Directors were awarded inflationary salary increases in April 2023 of 4.5%, which was at the lower end of the range of salary increases awarded to the wider workforce.

Long Term Incentive Plan ("LTIP")

During 2023 awards have been made under the LTIP to senior employees of the Group, including Executive Directors. The awards are calibrated as a percentage of the participants' salaries and scaled according to seniority. The details of the awards held by the Executive Directors is set out in the table below.

Award Date	Number of options awarded	Percentage of salary awarded	Number of options as at 1 January 2023	Number of options vested in year (after application of performance conditions)	Number of options lapsed or forfeited in year	Number of options exercised in year	Number of options as at 31 December 2023	Date from which exercisable	Expiry date
Charles Skinner									
17 November 2023	549,132	200%	0	N/A	N/A	N/A	549,132	30 April 2026	17 November 2033
Dan Baker									
17 November 2023	258,620	150%	0	N/A	N/A	N/A	258,620	30 April 2026	17 November 2033
Charles Bligh									
22 June 2023	263,184	175%	0	N/A	N/A	N/A	263,184[1]	21 March 2026	21 June 2033
27 May 2022	178,174	175%	178,174	N/A	N/A	N/A	178,174[2]	1 April 2025	31 March 2032
9 June 2021	216,616	175%	216,616	N/A	13,128	N/A	216,616[3]	20 March 2024	20 March 2031
3 June 2020	145,917	125%	145,917	65,663	80,254	68,310[4]	0	2 June 2023	2 June 2030
21 March 2019	253,840	175%	215,764	N/A	N/A	228,061[5]	0	20 March 2022	20 March 2029
Neil Ritchie									
27 May 2022	105,324	150%	105,324	N/A	105,324	N/A	0[6]	1 April 2025	31 March 2032
9 June 2021	128,049	150%	128,049	N/A	11,643	N/A	116,406[7]	20 March 2024	20 March 2031
3 June 2020	80,000	100%	80,000	36,000	44,000	37,451[8]	0	2 June 2023	2 June 2030
1 October 2019	110,295	150%	93,751	N/A	N/A	98,102[9]	0	30 September 2022	30 September 2029

[1] The 263,184 share options awarded on 22 June 2023 lapsed on 4 January 2024, the date that Charles Bligh ceased to be an employee.

[2] The 178,174 share options awarded on 27 May 2022 lapsed on 4 January 2024, the date that Charles Bligh ceased to be an employee.

[3] The Remuneration Committee exercised its discretion to allow Charles Bligh to retain a pro-rata number of options based on the proportion of the vesting period elapsed as at the date he ceased to be an employee (4 January 2024) and to exercise that pro-rata number of options within 12 months of his leave date, subject to any further reduction based on the outcome of the associated performance conditions. The number of options retained after pro-rating on 4 January 2024 (but prior to applying the performance condition outcomes) is 203,488. After application of the performance conditions on vesting, it is expected that all of these options will lapse.

[4] The 68,310 includes 2,647 dividend equivalent shares that accrued during the vesting period on shares that vested.

[5] The 228,061 includes 12,297 dividend equivalent shares that accrued during the vesting period on shares that vested.

[6] The 105,324 share options awarded on 27 May 2022 lapsed on 13 December 2023, the date that Neil Ritchie ceased to be an employee.

[7] The Remuneration Committee exercised its discretion to allow Neil Ritchie to retain a pro-rata number of options based on the proportion of the vesting period elapsed as at the date he ceased to be an employee (13 December 2023) and to exercise that pro-rata number of options within 12 months of his leave date, subject to any further reduction based on the outcome of the associated performance conditions. The number of options retained after pro-rating on 13 December 2023 (but prior to applying the performance condition outcomes) is 116,406. After application of the performance conditions on vesting, it is expected that all of these options will lapse.

[8] The 37,451 includes 1,451 dividend equivalent shares that accrued during the vesting period on shares that vested.

[9] The 98,102 includes 4,351 dividend equivalent shares that accrued during the vesting period on shares that vested.

2023 LTIP awards

Charles Skinner and Dan Baker were both awarded LTIP options during the year. Dan Baker's award was based on 150% of salary. Charles Skinner's award was 200% of his salary. Under the Group's Remuneration Policy, the normal opportunity is 175% of salary in respect of a financial year with discretion for the Remuneration Committee to award up to 200% of salary in exceptional circumstances. Having given due consideration in conjunction with external advisers to Charles Skinner's appointment and the compensation levers available to appropriately align his objectives with the Group's strategy and the criticality of delivering a sustainable improvement in business performance, the Remuneration Committee decided that exceptional circumstances existed to justify the higher LTIP award opportunity. Charles Skinner's total variable remuneration opportunity remains at 300% (in line with his predecessor) but weighted more towards the LTIP opportunity (200% versus 175%) with a reduced maximum annual bonus opportunity (100% versus 125%).

The 2023 LTIP awards to Charles Skinner and Dan Baker are both subject to stretching performance conditions based on total shareholder return ("TSR") and earnings per share ("EPS"). The vesting weighting of the performance conditions is as follows: 75% based on absolute TSR and 25% on three-year EPS. This represents a change from previous years (where the weighting was 75% EPS and 25% TSR) to reflect the medium-term and overarching priority for our new Executive Directors to restore shareholder value. The Committee therefore concluded that the majority of the 2023 LTIP should be linked to this objective while retaining some linkage to profit (through EPS), delivery of a sustainable improvement in which is considered by the Board to be a key driver of the Group's future success. In addition, there is a post-vesting holding period of six months for 50% of any shares vesting under the 2023 LTIP, with the balance of any vested shares subject to a holding period of twelve months.

Charles Bligh was awarded 263,184 options under the LTIP in June 2023. This award subsequently lapsed after the year end on 4 January 2024, the date on which Charles Bligh ceased to be an employee.

2020 LTIP vesting outcome

The 3 June 2020 LTIP awards shown in the table above vested during the year at 45% of maximum. As a result, Charles Bligh and Neil Ritchie were entitled to retain interests in 65,663 and 36,000 shares respectively. Charles Bligh and Neil Ritchie exercised their 2020 (and also legacy 2019) awards in September 2023.

SAYE scheme

There was no SAYE scheme launched during 2023. The Remuneration Committee took this decision in order to invest any savings generated from not implementing an SAYE scheme in 2023 into the 2023 salary increases for the Group's lowest paid employees. The Group expects to launch a new all-employee SAYE scheme in 2024.

Share price

The closing price for Restore plc shares at 31 December 2023 was 220p. During the year, the market price of the Company's ordinary shares ranged between 125p and 353p.

Directors' interests in shares

The beneficial interests of the Directors who were in office at 31 December 2023 in the shares of the Company (including family interests) were as follows:

	Number of ordinary shares of 5p each 2023	Number of ordinary shares of 5p each 2022
Charles Skinner	1,546,022	N/A
Dan Baker	50,000	N/A
Jamie Hopkins	54,756	7,406
Susan Davy	4,000	4,000
Lisa Fretwell	–	–

As at 13 March 2024 there has been no change in any of the above holdings.

Future matters

The Remuneration Committee will continue to focus on its core areas of responsibility in determining and implementing the remuneration policy for the Executive Directors and senior management, ensuring that these remain appropriate and reflect changes that may be needed to ensure best practice. As referenced in the Chair's Governance Statement, we will be considering the recommendations in the 2023 QCA Code during 2024 and will report on our alignment with the new recommendations in the 2024 Annual Report.

Lisa Fretwell,
Chair of the Remuneration Committee
13 March 2024

Appendix: Directors' remuneration policy

This section sets out the Company's Directors' Remuneration Policy (the "Remuneration Policy"). The Remuneration Policy was developed taking into account the regulations applicable to main market listed companies, the principles of the QCA Code and relevant UK institutional investor guidance. It is noted that new recommendations set out in the 2023 QCA Code apply for accounting periods beginning on or after 1 April 2024, but where these reflect points of clarification for shareholders, some of these have been incorporated below.

The Group's remuneration policy is aimed at aligning the interests of the Executive Directors with the growth strategy of the Group and creation of shareholder value over the longer-term. The Committee reviews the Remuneration Policy from time to time to ensure that it:

- reinforces the achievement of Restore's long-term goals and supports its culture and purpose;
- reflects market practice;
- is competitive for companies of similar size and complexity; and
- is simple.

Executive Directors' remuneration policy

Element of package	Objective	Policy	Opportunity
Base salary	To provide a competitive base salary for the market in which the Group operates, to help attract, motivate and retain Directors with the experience and capabilities required to achieve the Group's strategic aims.	There is no maximum. Salaries are reviewed annually taking into account Group performance, role, experience, and market positioning.	Salary increases are reviewed in the context of, and set in line with, the increases awarded to the wider workforce, taking into account Group performance, and an individual's role, experience and market positioning.
Benefits	To provide a market competitive benefits package as part of a competitive total package.	Executive Directors receive benefits in line with market practice, principally private medical insurance, life assurance and a car allowance.	Set at a level which the Committee deems appropriate.
Pension	To provide an appropriate level of retirement benefit.	Executive Directors are eligible to participate in the Group's defined contribution pension plan or receive a cash allowance in lieu thereof.	Pension contributions are paid at an agreed rate.

Incentive plan	Objective	Operation	Opportunity	Performance linkage
Annual bonus	Rewards achievement of short-term financial and strategic goals that are closely aligned with the Group's strategy and underpin creation of value for shareholders.	The outcome of the annual bonus is based on the achievement of annual performance targets set at the start of the year. The Committee has discretion to adjust the outcome up or down within the Policy limits, where the formulaic outcome does not reflect the Committee's assessment of underlying business performance. Any bonus earned is paid in cash. Bonus payments may also be subject to clawback for a period of up to three years in the event of material financial misstatement or gross misconduct, at the discretion of the Committee.	The maximum annual bonus opportunity is 125 per cent of base salary.	The performance measures, weighting and targets are set annually by the Committee. The bonus opportunity will be linked to the achievement of challenging financial and, when appropriate, non-financial performance targets. The measures and weightings in 2021, 2022 and 2023 were profit 60%, cash 20% and strategic objectives 20%.

Incentive plan	Objective	Operation	Opportunity	Performance linkage
LTIP	To drive and reward the achievement of longer-term objectives, maximise returns to shareholders, support retention and promote share ownership by Executive Directors.	Awards of nil-cost share options may be made annually. Vesting will be subject to the achievement of specified performance conditions, typically over a period of three years. To the extent that an award vests, it may be subject to a further holding period of up to two years such that shares may not be sold by the Director during this period other than to settle tax liabilities in relation to those shares. Awards may also be subject to malus over the vesting period, and clawback for a period of up to two years after vesting, at the discretion of the Committee. Dividend equivalents may also accrue over the vesting period and be paid on any awards that vest.	The normal maximum LTIP opportunity is 175 per cent of salary in respect of a financial year. Under the LTIP rules, an award of up to 200 per cent of salary may be granted in respect of a financial year in exceptional circumstances.	The vesting of LTIP awards will be subject to the achievement of defined performance targets. The measures, their weightings and the targets set will be reviewed by the Committee prior to making an award and the targets may be reviewed over the vesting period in exceptional circumstances. The vesting of the 2021 and 2022 LTIP awards are based 75% on 3-year earnings per share and 25% on the Group's absolute Total Shareholder Return (TSR) over the performance period. The vesting of the 2023 LTIP awards will be based on 75% of the Group's absolute TSR over the period to 31 March 2026 and 25% on adjusted EPS for the financial year ending 31 December 2025.

Non-Executive Directors' remuneration policy

The remuneration policy for the Non-Executive Directors is to pay fees necessary to attract an individual of the calibre required, taking into consideration the size and complexity of the business and the time commitment of the role.

Details are set out in the table below:

Approach to setting fees	Basis of fee	Other items
The fees of the Non-Executive Directors are agreed by the Chair and Executive Directors. Fees are reviewed annually. Fees are set taking into account the level of responsibility, relevant experience and specialist knowledge of each Non-Executive Director.	Fees may include a basic fee and additional fees for further responsibilities (for example Chair of the Remuneration and Audit Committee). Additional fees may also be paid to the Chair and/or Non-Executive Directors on a per diem (or other) basis to reflect increased time commitment in certain limited circumstances. Overall fees will not exceed the maximum stated in the Company's Articles of Association. Fees are paid in cash.	Non-Executive Directors do not receive any benefits or pension contributions. Travel and other reasonable expenses incurred in the course of performing their duties are reimbursed.

Directors' Report

Chris Fussell, Company Secretary

The Directors present their report together with the consolidated financial statements for the year ended 31 December 2023.

	Detail	Section	Location
Information as permitted by the Companies Act 2006, the disclosures to the right, which are included in the Strategic Report, are incorporated into the Directors' Report by reference	An indication of the activities of the Company and its subsidiary undertakings.	Strategic report	
	An indication of likely future developments in the business of the Company and its subsidiary undertakings.	Strategic report	
	Engagement with suppliers, customers and others.	ESG Committee Report Section 172(1) statement	Page 31 Page 49
	Employee engagement.	ESG Committee Report Section 172(1) statement	Page 30 Page 48
Directors	The names and biographical details of the Directors who were in office in year and up to the date of signing the financial statements are given on pages 52 to 53.	Governance	Pages 52 to 53
	Directors' remuneration, long-term executive plans, pension contributions, benefits and interests.	Directors' Remuneration Report	Pages 62 to 67
Appointment and retirement of Directors	The Company's Articles of Association, the Companies Act 2006 and related legislation govern the appointment and retirement of Directors.		
	In accordance with the Company's Articles of Association, all Directors are subject to election by shareholders at the first AGM following their appointment, and subject to annual re-election thereafter.		
Directors' insurance	The Company maintains liability insurance for its Directors and Officers, the Company's Articles of Association allow the indemnification of Directors out of the assets of the Company to the extent permitted by law. Indemnities in favour of the Directors have not been entered into during the year.		
Directors' interests	The interests of the Directors and their connected persons in the Company's shares are set out in the Directors' Remuneration Report.	Directors' Remuneration Report	Pages 62 to 67
Related party transactions	Any related party transactions required to be disclosed under the AIM rules are disclosed in note 34 to the financial statements.		
Corporate Governance Statement	The Corporate Governance Statement is incorporated by reference into this Directors' Report and includes details of our compliance with the QCA Code and how the Company has applied the main principles.	Governance Statement	Pages 54 to 58
Internal control	A description of the main features of the Group's internal control and risk management systems in relation to the financial reporting process can be found in the Governance Statement, the Risk Committee Report and the Audit Committee Report.	Governance Statement Risk Committee Report Audit Committee Report	Page 58 Pages 44 to 47 Page 61
Emissions reporting	Our disclosures in respect of emissions and energy consumption are set out on pages 34 to 35.	ESG Committee Report	Pages 34 to 35

	Detail	Section	Location
Share capital	At 31 December 2023, the Company's issued share capital consisted of 136,924,067 ordinary shares of 5p each. Further details on the issued share capital, including any changes during the year, can be found in note 24 to the financial statements.		
Substantial shareholders	At 5 March 2024, the latest practicable date prior to the approval of this document, the Company had been notified of the following interests amounting to 3% or more of the voting rights attaching to the Company's issued share capital:		
Authority to allot shares	The Company requests authority from shareholders for the Directors to allot shares on an annual basis, and a similar resolution will be proposed at the 2024 AGM. At the 2023 AGM, the Directors were authorised to allot shares up to an aggregate nominal amount of £2,282,067.75, representing approximately one third of the Company's then issued share capital.		
Purchase of own shares	At the 2023 AGM, the Company obtained shareholder approval to purchase up to 13,692,406 of its own ordinary shares of £0.05 each (representing 10% of its issued share capital). No shares were purchased under this authority during the year. At the 2023 AGM, the Directors will again seek authority to purchase the Company's own shares.		
Articles of association	The Company's Articles of Association were adopted at the 2019 AGM. Any amendments to the Articles of Association can only be made by a special resolution at a general meeting of shareholders.		
Annual General Meeting	The notice of the Annual General Meeting to be held on 16 May 2024 is set out on pages 143 to 147.		
Dividends	Details of the dividends are shown in the note 11 to the financial statements.		
Employee involvement process	The Directors believe that the involvement of employees is an important part of the business culture. Employees are its most important asset and are vital to the successes achieved to date.	ESG Committee Report Section 172(1) Statement	Page 30 Page 48
Equal opportunities	The Group is committed to eliminating discrimination and encouraging diversity. Its aim is that each employee is able to perform to the best of their ability. The Group will not make assumptions about a person's ability to carry out their work, for example, based on their ethnic origin, gender, sexual orientation, marital status, religion or beliefs, age or disability. Full and fair consideration is given to applications made to the Group by individuals with recognised disabilities to ensure they have equal opportunity for employment and development. In the event of an employee becoming disabled, every effort is made to retain them in order that their employment with the Group may continue. It is the policy of the Group that training, career development and promotion opportunities should be available to all employees.		

Substantial shareholders:

Significant shareholder	Percentage of issued share capital
Octopus Investments (London)	12.73%
Invesco (Oppenheimer Funds) (New York)	8.44%
Canaccord Genuity Wealth Mgt (London)	8.29%
Slater Investments (London)	5.88%
Franklin Templeton Investments (Leeds)	4.41%
Charles Stanley (London)	4.13%
Investec Wealth & Investment (London)	3.58%
Royce & Associates (New York)	3.24%

Directors’ Report continued

	Detail	Section	Location
Employee Benefit Trust	The Company has established an Employee Benefit Trust (“EBT”) for the purpose of facilitating the operation of the Company’s share schemes. The EBT waives any voting rights and dividends that may be declared in respect of such shares which have not been allocated for the settlement of awards made under the Company’s share plans.		
Research and development	During 2023, the Group spent £0.9m on research and development, primarily related to the development of in-house software.		
Donations	Donations of £12,213 were made by the Group for charitable purposes during the year (2022: £12,800). The Group does not make political donations.		
Property values	The Directors are aware that a significant difference may exist between market and book values, as shown in the Consolidated statement of financial position at 31 December 2023, for the Group’s freehold properties, some of which have a market value in excess of the book value recorded.		
Financial instruments	Our risk management objectives and policies in relation to the use of financial instruments can be found in note 4 to the financial statements.		
Going concern	The Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future and that it is appropriate to prepare financial statements on the going concern basis. Further details are given in note 2 to the financial statements on page 83.		
Events since the balance sheet date	Details of post balance sheet events after 31 December 2023 are given in note 35.		
Disclosure of information to the auditor	The Directors in office at the date of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the Directors have confirmed that they have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.		
Statutory details for Restore plc	The Company is a public company limited by shares, incorporated in the United Kingdom and registered in England and Wales with registered number 05169780. Its registered office is The Databank, Unit 5, Redhill Distribution Centre, Salbrook Road, Redhill, Surrey, RH1 5DY. The Company’s shares are listed on the AIM market under the ticker RST.		

This Directors’ report was approved and signed on behalf of the Board on 13 March 2024.

Chris Fussell, Company Secretary

Statement of Directors' Responsibilities

in respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Parent Company financial statements in accordance with UK-adopted international accounting standards.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Jamie Hopkins, Chair

13 March 2024

Independent auditors' report

to the members of Restore plc

Report on the audit of the financial statements

Opinion

In our opinion, Restore plc's Group financial statements and Parent Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2023 and of the Group's profit and the Group's and Parent Company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and the Parent Company statements of financial position as at 31 December 2023; the Consolidated statement of comprehensive income, the Consolidated and Parent Company statements of changes in equity, and the Consolidated and Parent Company statements of cash flows for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to other listed entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the Parent Company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- We performed full scope audits at the Parent Company (comprising Records Management and head office), Harrow Green and Digital.
- We performed an audit of one or more account balances or classes of transactions for Technology and Datashred.
- Our audit procedures account for more than 95% of Group revenue and more than 85% of adjusted profit before tax on absolute basis.

Key audit matters

- Impairment of intangible assets and goodwill (Group and Parent Company)
- Accounting for dilapidation provisions (Group and Parent Company)

Materiality

- Overall Group materiality: £1,500,000 based on 5% of adjusted profit before tax.
- Overall Parent Company materiality: £1,350,000 based on 1% of total assets (capped at 90% of group overall materiality).
- Performance materiality: £1,125,000 (Group) and £1,012,000 (Parent Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Accounting for dilapidation provisions is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Impairment of intangible assets and goodwill (Group and Parent Company) As at 31 December 2023, the net book value of goodwill and other intangible assets held by the Group was £284.7m and by the Parent Company in relation to Records Management was £180.5m. Management recorded an impairment charge of £32.5m against goodwill in Datashred at 30 June 2023 based on the impairment indicators observed at the time. Goodwill is subject to an annual impairment test and impairment tests for intangible assets are also required if there are any indications of an impairment trigger. Management prepared a discounted cash flow model at a cash generating unit ('CGU') level in order to support the carrying value of goodwill and other intangible assets. The impairment assessments performed by management contain a number of key assumptions including short and long term revenue growth rates, operating margins, and CGU-specific discount rates. The impairment assessments include downside scenarios sensitising these assumptions. Where a change in these assumptions could result in a material change in the recoverable amount of the assets, there is a risk that goodwill and other intangible assets are no longer deemed to be recoverable and hence should be impaired or, in the case of Datashred, that the impairment charge recorded could be materially misstated. Management's year end impairment model demonstrated there is sufficient headroom over the carrying amount of the CGUs for Records Management and Harrow Green. The Datashred, Technology and Digital CGUs have limited headroom and related sensitivity disclosures are given. In addition to this, management has recorded a £3.8m impairment against customer relationships (£3.6m) and right-of-use assets (£0.2m) predominantly due to a business exit in the Technology CGU. We determined impairment in respect of the Datashred, Technology and Digital CGUs to be a key audit matter because of the complexity and estimation uncertainty involved in management's assessment. Refer to Note 13 and Note 36 of the financial statements ('Intangible assets').	We obtained management's impairment assessments and in evaluating the impairment models for Datashred, Technology and Digital at 31 December 2023, we performed the following procedures: › We tested the mathematical integrity of the impairment calculations; › We assessed the allocation of goodwill and acquired intangibles to CGUs; › We evaluated the allocation of central costs to the CGUs and assessed whether this was a reasonable basis for allocation; › We obtained the Board-approved 2024 budget and 2025-2028 forecasts which formed the basis of the model used in management's impairment calculation to check that these were consistent with the forecasts in the impairment models; › We challenged management forecasts and compared future cash flow expectations to historic levels as part of our assessment as to whether the planned performance was considered achievable; › We reviewed key assumptions used by management (revenue growth, EBITDA, discount rate, long term growth rate, and paper price per tonne(specific to Datashred CGU)) and sensitised these to determine whether there were any reasonably possible changes in these assumptions that would lead to an impairment; › Where relevant, we corroborated key assumptions through to contracts and third party data sources such as external market data available; › We assessed the appropriateness of the discount rate and long term growth rate applied using the support of our internal valuation experts; › We also performed equivalent procedures on the impairment of £32.5m recorded against Datashred at the 30 June 2023 half year, and in performing our audit procedures over the year end impairment model we ensured that the key assumptions underpinning that impairment charge still appeared appropriate; and › We assessed the disclosures associated with impairment in the financial statements, including the sensitivity disclosures in respect of key assumptions. Based on our work, we have concluded that management's assessment is supportable and related disclosures are appropriately included in accordance with IAS 36 'Impairment of assets'.

Independent auditors' report continued

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Accounting for dilapidation provisions (Group and Parent Company)
At 31 December 2023, the Group and the Parent Company held dilapidation provisions of £18.6m and £15.6m respectively, relating to the future anticipated costs to restore leased properties into their original state at the end of the lease term. During 2023, following changes in the Group's executive team, management conducted a strategic review of the Group's property estate. The review led to a reassessment of sites in the Group, determining which properties are considered to be strategically important to the Group and would be unlikely to be exited until the end of their useful life, and those expected to be exited before the end of their useful life.
Management has estimated the amounts of future costs the Group will incur to restore properties to their original condition based on the average crystallised dilapidation costs in 2022 and 2023. A possible change in these assumptions could result in a material change in the provision.
The net increase to the provision since 2022 of £1.5m has resulted in a corresponding £3.1m charge to the Group's results. We determined the valuation of dilapidation provisions represents a key audit matter due to the estimation uncertainty involved in calculating the expected future costs of restoring the leased premises, as well as the judgements over the timing of expected settlement of these amounts.
We also considered there to be judgement in determining whether the associated costs are capital or expense in nature.
Refer to Note 6, Note 23 and Note 47 of the financial statements ('Provisions').</td><td>We obtained management's dilapidation workings and performed the following procedures:
› We tested the mathematical accuracy of management's calculations;
› We assessed the categorisation of the leased properties and specifically the judgements over the strategic importance of the properties to the Group and Parent Company. This included holding detailed discussions with Group's executive team, and obtaining specific representations from the Group's directors;
› We evaluated the dilapidation costs crystalised during the year and previous year and compared these to the estimate of costs included in the provision calculation;
› We challenged whether the forecast costs are capital or expense in nature, including comparing management's assessment to its recent experience of costs incurred;
› We sensitised management assumptions and considered to what extent reasonably possible changes in its estimate of costs per property could result in a material change to the overall provision; and
› Where relevant, we corroborated key assumptions through to contracts and third party data sources.
Based on our work, we have concluded that the carrying value of provisions at 31 December 2023, and associated movement in the year is supportable and related disclosures are appropriately included in the financial statements.</td></tr>
</table>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

The Group operates in the United Kingdom through two divisions which comprise five business units: Records Management and Digital (within the Digital & Information Management division), and Datashred, Technology and Harrow Green (within the Secure Lifecycle Services division). There is also a central head office function. There were considered to be three financially significant operating units which required a full scope audit being the Parent Company (comprising Records Management and head office), Digital and Harrow Green. We performed an audit of one or more account balances or classes of transactions for Technology and Datashred.

The Parent Company comprises Records Management and head office, both of which were subject to full scope audit and consolidated results are presented in the Parent Company financial statements.

The impact of climate risk on our audit

As part of our audit, we made enquiries of management to understand the Group's progress on their ESG Strategy '"Restoring Our World", and the extent of the potential impact of climate risk on the Group's and Parent Company's financial statements. We considered when performing our audit procedures any indicators of the impact of climate risk on the financial statements, including in particular the Group's accounting estimates.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Parent Company
Overall materiality	£1,500,000.	£1,350,000.
How we determined it	5% of adjusted profit before tax	1% of total assets (capped at 90% of group overall materiality)
Rationale for benchmark applied	Based on the benchmarks used in the annual report, adjusted profit before tax is the primary measure used by the shareholders in assessing the performance of the Group, we concluded that the current year benchmark is the most appropriate. In the prior year, adjusted profit before tax, post amortisation of intangibles was used, resulting in overall materiality of £1,440,000.	Based on the benchmarks used in the annual report, 1% of total assets (capped at 90% of group overall materiality) is the primary measure used by the shareholders in assessing the performance of the Group, we concluded that the current year benchmark is the most appropriate. In the prior year, adjusted profit before tax, post amortisation of intangibles was used, resulting in overall materiality of £970,000.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £375,000 to £1,012,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £1,125,000 for the Group financial statements and £1,012,000 for the Parent Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £75,000 (Group audit) and £67,500 (Parent Company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Management has prepared a going concern paper, alongside detailed calculations supporting their assessment of future cash flows, available funding sources and covenant compliance. Management has highlighted why it is comfortable that the Group remains a going concern for the period of at least one year from the signing of the financial statements. We have understood, evaluated and challenged the key assumptions made by management in its paper and are satisfied with the rationale used in these forecasts having performed the following procedures:
- We have tested the mathematical accuracy of the forecast models;
- We have agreed the underlying cash flow projections to Board-approved forecasts;
- We have considered the basis for the forecasts by reference to historical performance of the Group as well as the appropriateness of the downside scenarios;
- We have reviewed the terms of the financing agreements (including the impact of reduction in the facility arrangement from £200m to £125m effective from 12 February 2024) and forecasts used in the compliance testing of the covenants for the period up to 30 June 2025 and tested the calculation of the covenant ratios based on the forecast results and cash flows; and
- We have assessed the appropriateness of the related disclosures in the financial statements.

Independent auditors' report continued

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Parent Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the General Data Protection Regulation (GDPR) and UK Employment Regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK Tax Legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results, potential management bias in accounting estimates and timing of the revenue recognition. Audit procedures performed by the engagement team included:

- Discussions of compliance with the Group Head of Risk, Divisional management teams, the Group management team and external tax advisors including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Inspection of external press releases, legal correspondence and whistle-blowing reports;
- Challenging the assumptions and judgements made by management in determining their significant accounting estimates, in particular in relation to impairment of intangible assets and goodwill (see related key audit matter);
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations including unusual or unexpected journal postings to revenue; and
- Detailed testing of revenue transactions recorded at the end of the financial year to ensure they had been recorded in the correct period.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Group, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Group financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Alex Lazarus (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
13 March 2024

Financial Statements

Consolidated statement of comprehensive income

For the year ended 31 December 2023

	Note	Year ended 31 December 2023 £'m	Year ended 31 December 2022 £'m
Revenue – continuing operations	5	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	17	(0.7)	(0.2)
Impairment of non-current assets	13, 15	(36.3)	–
Operating (loss)/profit	7	(15.0)	34.2
Finance costs	8	(14.0)	(10.9)
(Loss)/profit before tax		(29.0)	23.3
Taxation	9	(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)	10		
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:

	Note	Year ended 31 December 2023 £'m	Year ended 31 December 2022 £'m
Operating (loss)/profit		(15.0)	34.2
Adjusting items – Administrative expenses	6	10.8	5.6
Adjusting items – Amortisation of intangible assets	6	12.2	12.1
Adjusting items – Impairment	6	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	Note	31 December 2023 £'m	31 December 2022 Restated* £'m
ASSETS			
Non-current assets			
Intangible assets	13	284.7	331.9
Property, plant and equipment	14	79.4	79.7
Right of use assets	15	91.6	106.8
Other receivables	17	5.2	5.1
		460.9	523.5
Current assets			
Inventories	16	1.5	2.0
Trade and other receivables	17	63.1	64.9
Cash and cash equivalents	19	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	18	(44.9)	(49.1)
Financial liabilities – lease liabilities	20	(18.6)	(19.2)
Derivative liability		(0.1)	–
Current tax liabilities		–	(1.6)
Provisions	23	(4.4)	(1.7)
		(68.0)	(71.6)
Non-current liabilities			
Financial liabilities – borrowings	19	(120.5)	(133.7)
Financial liabilities – lease liabilities	20	(84.9)	(95.7)
Deferred tax liability	22	(29.3)	(30.9)
Provisions	23	(14.2)	(15.4)
Other payables	18	(0.4)	(0.1)
		(249.3)	(275.8)
Total liabilities		(317.3)	(347.4)
Net assets		232.1	273.2
EQUITY			
Share capital	24	6.8	6.8
Share premium	25	187.9	187.9
Other reserves	26	3.7	6.9
Retained earnings	27	33.7	71.6
Total equity		232.1	273.2

*Refer to note 2 for details of the restatement.

These financial statements on pages 79 to 142 were approved by the Board of Directors and authorised for issue on 13 March 2024 and were signed on its behalf by:

Charles Skinner

Chief Executive Officer

Dan Baker

Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December 2023

	Note	Share capital £'m	Share premium £'m	Other reserves £'m	Retained earnings £'m	Total equity £'m
		Attributable to owners of the parent				
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	27	–	–	–	(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	27	–	–	–	(9.1)	(9.1)
Share-based payments	26	–	–	(0.5)	–	(0.5)
Deferred tax on share-based payments	26	–	–	(0.2)	–	(0.2)
Transfer*	26	–	–	(3.3)	3.3	–
Purchase of treasury shares	26	–	–	(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

	Note	Year ended 31 December 2023 £'m	Year ended 31 December 2022 £'m
Cash generated from operating activities	28	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	13, 14	(10.3)	(11.0)
Purchase of subsidiary undertakings, net of cash acquired	12	(1.3)	(10.8)
Purchase of trade and assets	13	(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	21	22.7	30.2

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

	Note	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	13, 14	(10.3)	(11.0)
Lease principal repayments		(20.7)	(19.2)
Add back: Cash impact of adjusting items – administrative expenses	6	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 Group financial statements

For the year ended 31 December 2023

1. General information

Restore plc ("Restore" or the "Group" or the "Company") and its subsidiary undertakings focus on providing services to offices and workplaces in the public and private sectors and has two divisions: Digital & Information Management and Secure Lifecycle Services. The Group primarily operates in the UK. The Company is a public company limited by shares incorporated and domiciled in England, the United Kingdom. The address of its registered office is The Databank, Unit 5 Redhill Distribution Centre, Salbrook Road, Redhill, Surrey, RH1 5DY, England.

The Company is listed on the AIM.

These Group consolidated financial statements were authorised for issue by the Board of Directors on 13 March 2024.

2. Material accounting policies

Basis of preparation

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

The 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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed later in this note.

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 financial statements.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance, financial position, its cash flows, liquidity position, principal risks and uncertainties affecting the business are set out in the Strategic report on pages 2 to 49.

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 19 of the financial statements.

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 these 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 annual 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.

Basis of consolidation

The Consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations are accounted for in line with IFRS 3. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, contingent consideration and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date. Provisional fair values are adjusted against goodwill if additional information is obtained within one year of the acquisition date about facts or circumstances existing at the acquisition date. Other changes in provisional fair values are recognised through profit or loss.

The Group holds a small number of "Other investments" as set out in note 39 in the Parent Company financial statements. There is no value ascribed to these investments on the grounds of materiality.

Notes to the Group financial statements continued

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. The opening balance in note 15 has also therefore been restated.

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

Consolidated statement of financial position	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.

The impact on the opening Consolidated statement of financial position as at 1 January 2022 has been restated as follows:

Consolidated statement of financial position	As reported 2021 £'m	Impact of restatement 2021 £'m	Restated 2021 £'m
Non-current assets			
Right of use assets	102.5	5.4	107.9
Other receivables	–	2.7	2.7
Current assets			
Trade and other receivables	56.9	(2.7)	54.2
Non-current liabilities			
Lease liabilities	(90.3)	(5.4)	(95.7)
Other payables	–	(0.1)	(0.1)
Current liabilities			
Trade and other payables	(45.5)	0.1	(45.4)

The restatement did not result in any change to reported profit, earnings per share, net assets or cash flows reported in 2021.

Contingent consideration

Contingent consideration is recognised at fair value at the acquisition date. Changes in the fair value of liability-classified contingent consideration that are not measurement period adjustments are reflected in the income statement. Contingent consideration that is classified as an equity instrument is not remeasured and is subsequently settled and accounted for within equity.

Changes in contingent consideration arising from additional information, obtained within one year of the acquisition date, about facts or circumstances that existed at the acquisition date are recognised as an adjustment to goodwill.

Segmental reporting

In the opinion of the Directors there are two operating segments, Digital & Information Management and Secure Lifecycle Services. Segment revenue comprises sales to external customers most of whom are located in the UK. Services are provided primarily from the UK.

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a good or service to a customer.

a) Sale of services
The most significant service revenue streams in the Group are as follows:

i. document storage and retrieval services;

ii. document scanning and IT services;

iii. relocation services; and

iv. document collection and destruction.

Document storage revenue is recognised based on the time apportioned period for which the documents and assets are stored. Retrieval services revenue is recognised at a point in time upon delivery of the customer's stored assets at the customer's premises or storage location. The Group allocates the sales transaction price to the relevant performance obligation based on the stand-alone selling price of services, which is typically based on contracted fixed unit prices and volumes delivered and stored.

Service revenue from the Group's scanning and IT services is typically recognised based upon the value of work completed, or on a contractual basis, either as a fixed proportion of managed costs or other fee mechanism, in which case revenue is recognised once those contractual conditions have been satisfied. The transaction price is typically allocated either based on managed costs incurred, on a time basis, or other appropriate contractual measurement.

The Group's relocations business provides services in respect of relocation, furniture storage, asset disposal and recycling. Revenue is recognised over the service period and is based upon the value of the work completed for removals. Storage revenue is recognised on a per day basis for the furniture stored on behalf of its customers and when a disposal is complete.

Service revenue from the document collection and destruction business relates to secure document destruction and recycling processes, including the rental and servicing of office recycling units as well as larger secure waste containers providing a confidential waste destruction process. Revenue is recognised on a time-apportioned basis in respect of rental and when destruction is complete.

An assessment of any constraints in variability in revenue recognised is made at the start of the entering into contracts with customers. The Group reviews the allocation of the transaction price to performance obligations in accordance with IFRS 15.

b) Sale of goods
The Group's sale of goods revenue represents the sale of shredded paper products and the sale of recycled IT assets to commercial trade partners. Most contracts with customers have a single performance obligation. Revenue is recognised at a point in time that control of the goods passes to the customer, usually on delivery to the customer. The stand-alone selling price for paper sold and IT assets is based on market prices.

Contract assets and liabilities

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts within trade and other payables in the Consolidated statement of financial position (see note 18). Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable within trade and other receivables in its Consolidated statement of financial position depending on whether something other than the passage of time is required before the consideration is due.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of identifiable assets and liabilities of a subsidiary, at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Other intangible assets

Other intangible assets are recognised when they are controlled through contractual or other legal rights, or are separable from the rest of the business, and their fair value can be reliably measured.

Customer relationships
Acquired customer relationships are identified as a separate intangible asset as they are separable and can be reliably measured by valuation of future cash flows. This valuation also assesses the life of the particular relationship. The life of the relationship is assessed annually, and management believes that a useful life of between 10-20 years is appropriate for customer relationship related intangible assets, depending upon the nature of the customer contract. All customer relationships are being amortised on a straight-line basis. The customer lists are considered annually to ensure that this classification is still appropriate.

Trade names
Acquired trade names are identified as a separate intangible asset. Trade names are being amortised on a straight-line basis over ten years. The life of the trade name is assessed annually.

Application software
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives (three to five years).

Notes to the Group financial statements continued

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Computer software development costs recognised as assets are amortised on a straight-line basis over their estimated useful lives (expected to be up to five years). Residual values and useful lives are reviewed each year.

Property, plant and equipment

Property, plant and equipment is stated at historical cost, less accumulated depreciation and accumulated impairment losses. Depreciation is provided on a straight-line basis on all property, plant and equipment, except freehold land. The useful economic lives of the Group's different asset classes are set out below:

	Basis
Freehold land and buildings	2–5% per annum
Leasehold improvements	over the life of the lease
Plant and machinery	5–50% per annum
Racking	5-10% per annum
Office equipment, fixtures and fittings	10–40% per annum
Motor vehicles	20–25% per annum

Right-of-use assets and lease liabilities

Leases are accounted for in accordance with IFRS16, with a right-of-use asset and a corresponding lease liability recognised at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed lease payments (less any lease incentives receivable) and variable lease payment that are based on an index or a rate. The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, interest rate structures based on the lessee's incremental borrowing rate have been used to reflect the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The Group have applied the practical expedient as permitted by IFRS16 to apply a single discount rate to a portfolio of leases with reasonably similar characteristics. To determine the incremental borrowing rate, the Group starts with a risk-free interest rate which factors in Group specific credit risk, and makes adjustments specific to the lease, for example based on the type of asset being leased and the lease term. The Group classifies part of the lease payment that represents the interest portion as finance costs within the operating activities section of the statement of cash flows which is consistent with the classification of interest paid on other forms of financing activities.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liability, lease payments made at or before the commencement date less any lease incentives received, initial direct costs and restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less and low-value assets comprise IT-equipment and small items of office furniture.

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Cloud based arrangements

Most cloud-based arrangements are accounted for as service contracts with the cost recognised over the service period, and with the associated implementation costs generally expensed as incurred.

In some circumstances, cloud-based arrangements can be accounted for as intangible assets under IAS 38 or as a lease under IFRS 16, with the full cost recognised as an asset and subsequently amortised or depreciated over the contract period. In such cases the directly attributable implementation costs would be initially recognised and subsequently charged to the income statement. Given however that in these arrangements customers do not typically take possession of software or obtain a software licence, but rather just receive access to the supplier's application software via an internet connection, this does not provide the customer with an asset, and the relevant recognition criteria are not met.

Investments

Investments in subsidiaries of the Group's Parent Company are carried at cost. An impairment test is performed on the carrying value of the investment when there is an impairment trigger. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount, when there is objective evidence for impairment including significant or prolonged decline in fair value below cost.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined on a first in first out basis. Net realisable value is the price at which inventories can be sold in the normal course of business. Provision is made where necessary for obsolete, slow moving and defective inventories.

Trade and other receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

The Group recognises an allowance for expected credit losses ("ECL") for all receivables held at amortised cost. The Group applies the simplified approach to measuring expected credit losses. To measure the expected credit losses, trade receivables have been grouped according to the shared credit risk characteristics and the days past due. The expected loss rates are based on historical payment profiles, credit losses experienced and forward-looking estimates. A specific provision for credit loss of contract assets is established when there is evidence that the Group will not be able to collect all amounts due according to the original terms.

A provision for credit loss is established when the Group considers that there is a significant increase in credit risk, in line with the ECL model. The movement in the provision is recognised in profit or loss.

Customer incentives

Incentives provided to new customers are in the form of either costs borne on behalf of customers or the provision of services free of charge. Such incentives are recognised as an asset at amortised cost at the point when the contract is signed and the costs are incurred, or when the service is provided and are amortised in the income statement over five years.

Cash and cash equivalents

Cash and cash equivalents as defined for the Consolidated statement of cash flows comprise cash in hand, cash held at bank with immediate access, overdrafts, other short-term investments and bank deposits with maturities of three months or less from the date of inception.

Trade payables

Trade payables, classified as other liabilities in accordance with IFRS 9, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Other payables are stated at amortised cost.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Finance charges are accounted for in profit or loss over the term of the instrument using the effective interest rate method.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from accounting profit as reported in the Consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profits nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based upon tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited directly to other comprehensive income and equity, in which case the deferred tax is also dealt with in other comprehensive income and equity.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at an appropriate pre-tax discount rate.

The Group is required to restore its leased premises to their original condition at the end of the respective lease term. A dilapidation provision has been recognised for the value of the estimated expenditure required to remove any lease hold improvements or repair any wear or tear on the property. Where relevant, these costs have been capitalised as part of the leased asset and amortised over the useful life or charged to the income statement.

Equity instruments

Equity instruments issued by the Company are recorded at fair value net of transaction costs.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based payments.

The Group issues equity settled share-based payments to certain employees. Equity settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Notes to the Group financial statements continued

The Group has the ability to net-settle share options such that only shares equating to the gain over the option price are issued directly to the option holder. This has the benefit of reducing the number of shares that must be issued in connection with an option exercise thereby reducing shareholder dilution.

The Group recognises an accrual in respect of national insurance payable on the exercise of all share options. The liability recognised depends on the number of options that are expected to be exercised, and the liability is adjusted by reference to the fair value of the options at the end of each reporting year.

Pensions

The Group operates a number of defined contribution pension schemes. Contributions are charged to profit or loss as incurred.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's Consolidated statement of financial position when the Group has become party to the contractual provisions of the instrument. The Group uses derivative financial instruments when considered appropriate such as interest rate swaps to hedge its risks associated with interest rates. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to profit or loss.

Adoption of new and revised standards

The following new standards and amendments to standards were effective for the first time during the financial year: IFRS 17 Insurance Contracts; Definition of Accounting Estimates – amendments to IAS 8; International Tax Reform – Pillar Two Model Rules – amendments to IAS 12; Amendments to IAS 1 and IFRS Practice Statement 2; Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12. These new standards and amendments to standards did not have a material effect on the financial statements.

New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods an on foreseeable future transactions.

3. Critical accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements. These are considered to have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition – determination of performance obligations

At contract inception the Group evaluates its customer contracts to identify the promises of goods and services which are distinct and therefore constitute a performance obligation.

For contracts with multiple components to be delivered, management applies judgement to consider whether those promised goods and services are:

i. distinct – to be accounted for as separate performance obligations;

ii. not distinct – to be combined with other promised goods or services until a bundle is identified that is distinct; or

iii. part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer.

Revenue recognition – determination of variable consideration

Management judgement is exercised in estimating variable consideration. This is determined with regard to past experience of goods being returned where the customer maintains a right of return pursuant to the customer contract or where goods or services have a variable component. Revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised under the contract will not occur after any uncertainty associated with the variable consideration is subsequently resolved.

Revenue recognition – principal versus agent

The Group has arrangements whereby more than one party is involved in providing the goods and services to the customer and therefore an assessment needs to be made as to whether the Group is acting as a principal or as an agent. The Group is a principal if it controls a promised good or service before transferring that good or service to the customer. The Group is an agent if its role is to arrange for another entity to provide the goods or services. Factors considered in making this assessment are most notably: the discretion the Group has in establishing the price for the specified good or service; whether the Group has inventory risk; and whether or not the Group is primarily responsible for fulfilling the promise to deliver the service of good.

Where the Group is acting as a principal, revenue is recorded on a gross basis. Where the Group is acting as an agent, revenue is recorded on a net basis, recognising only the commission of fee earned as revenue.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Monte Carlo model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Adjusting items
The Group's strategy is to grow through margin enhancement and organic growth. To assess progress in delivery of this strategy, 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 or credits, that are considered to be distorting due to their nature when assessing the performance of the business. APMs are governed by a Group policy which sets out the criteria for recording transactions as APMs.

The Group's APMs should be considered as supplementary to statutory measures and readers of the financial statements should note the limitations of the measures and that they are not comparable across companies. Refer to note 6 for further details.

Determination of lease term
In determining the lease term used to calculate the present value of future lease payments, management exercise judgement in considering whether to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Estimates and assumptions

The key assumptions and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of non-financial assets
The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate and long-term growth rate in order to calculate the present value of those cash flows. Sensitivity details are included in note 13.

Dilapidations provision
The Group is required to recognise a provision in respect of the reinstatement and dilapidation costs from exiting a property. The dilapidation cost per square foot of property can vary significantly based on the condition of the property, the nature of the landlord in question, as well as a number of other property specific factors. The key estimations in the calculation of the provision are as follows:

- The cost per square foot of property to be used – this has been estimated with reference to the average cost per square foot we have seen in third-party assessments and settlements made previously on our estate.
- The likelihood of exiting the site – where we expect to exit a site before the end of its useful life, we have recognised a provision. The judgement as to whether we will leave a site or not has been made by the divisions and the Director of Property and the assumptions made for the dilapidations provision are in line with the assumptions made in the wider property strategy for the Group.
- Accounting treatment of changes in the provision – when there are changes to the provision, it must be assessed whether the changes are due to rectification of enhancements to the property or general wear or tear as this drives where the provision is recorded i.e. as a right of use asset or in the income statement. There have been significant changes to our portfolio in the year due to the strategic property review that has been undertaken and we have used the experience of the property specialists in the Group to estimate what these changes are likely to be rectifying and therefore what the appropriate accounting treatment is.

Sensitivity details are included in note 23.

4. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk, foreign exchange risk, cash flow and fair value interest rate risk, credit risk, liquidity risk and capital risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group may use derivative financial instruments to hedge certain risk exposures.

Risk management is carried out centrally under policies approved by the Board of Directors. The Group evaluates and hedges financial risks where appropriate. The Board provides written principles for overall risk management.

Notes to the Group financial statements continued

Market risk

Market risks relates to the failure of the Group to achieve organic growth in line with expectations. To mitigate this we have:

i. realigned the Group's strategy to empower the businesses to unlock their potential and to ensure a focus on profitable growth from target sectors;

ii. restructured and refreshed the Group's sales functions to align with the revised strategy, with a mandate to improve cross-selling and referral opportunities;

iii. overhauled the Group's budgeting process to ensure that the targets in place are stretching but realistic and have incentivised based on these accordingly; and

iv. 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.

Foreign exchange risk

The Group operates primarily in the UK and has limited exposure to foreign exchange risk.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. During the year, the Group's borrowings at variable rates were denominated in pounds sterling. The Group analyses its interest rate exposure using financial modelling. Based on the various scenarios, the Group manages its cash flow interest rate risk by using interest rate swaps when considered appropriate. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates at a certain level. Interest rate swaps are an agreement with other parties at quarterly intervals, to exchange the difference between fixed and floating rate calculated by reference to the notional principal amount. Refer to note 21 for further detail.

Credit risk

Credit risk is managed on a Group basis, except for credit risk relating to accounts receivable balances. Each business is responsible for managing and analysing the credit risk for each of their new customers before standard payment, delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to retail customers, including outstanding receivables and committed transactions. The maximum exposure is the carrying amount.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The Group monitors its risk to a shortage of funds using a forecasting model. This model considers the maturity of both its financial assets and financial liabilities and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and other secured loans in order to ensure that there is sufficient cash or working capital facilities to meet the requirements of the Group for its current business plan. A detailed analysis of the Group's debt facilities is given in note 19.

Capital risk

The Group's main objective when managing capital is to protect returns to shareholders by ensuring the Group will trade profitably in the foreseeable future. The Group also aims to maximise its capital structure of debt and equity so as to minimise its cost of capital.

The Group manages its capital with regard to the risks inherent in the business and the sector within which it operates by monitoring its gearing ratio on a regular basis. The Group considers its capital to include share capital, share premium, other reserves and retained earnings as noted below. Net debt includes borrowings (including overdrafts) net of cash and cash equivalents.

The Group's strategy is to strengthen its capital base in order to sustain the future development of the business.

Debt to capital ratio	2023 £'m	2022 £'m
Total debt (excluding IFRS 16)	120.5	133.7
Less: cash and cash equivalents	(22.7)	(30.2)
Net debt	97.8	103.5
Total equity	232.1	273.2
Debt to capital ratio	0.4	0.4

Gearing has stayed consistent during 2023 compared to 2022. The Group does not have any externally imposed capital requirements.

Fair value estimation

External borrowings fair values are not materially different from their carrying amounts, since the interest payable is either close to market rates or the borrowings are of a short-term nature.

5. Segmental analysis

Services per segment operate as described in the Strategic report. 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 and segmental information

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 (£33.8m) relating to the sale of recycled paper and recycled IT assets. The remainder of revenue relates to the sales of services.

Notes to the Group financial statements continued

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting year relates to brought forward contract liabilities:

Revenue recognised that was included in the contract liability balance at the beginning of the year	**2023 £'m**	2022 £'m
Records Management	1.9	1.6
Digital	2.2	1.4
Digital & Information Management	4.1	3.0
Technology	–	–
Datashred	0.1	0.1
Harrow Green	–	–
Secure Lifecycle Services	0.1	0.1
Total	4.2	3.1

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 (note 6)	(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	427.9	116.9	4.6	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

2022 (restated)	Digital & Information Management £'m	Secure Lifecycle Services £'m	Central £'m	31 December 2022 Total £'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

2022 has been restated to take into account the relevant adjustments in note 2.

6. 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 adjusting items	59.3	17.7

Total adjusting items include £10.8m of "adjusting items – administrative expenses" (2022: £5.6m), £12.2m of "adjusting items – amortisation of intangible assets" (2022: £12.1m) and £36.3m of "adjusting items – impairment". Non-cash adjusting items relating to administrative expenses are £3.1m.

Notes to the Group financial statements continued

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.

The Group's APMs are summarised below:

APMs	Description
Adjusted operating profit (for Group and the Group's segments)	Calculated as statutory adjusted 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 earnings before interest, taxation, depreciation, amortisation and adjusting items.
Pre-IFRS16 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 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 pre-IFRS16 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 financial statements should note the limitations of the measures and that they are not comparable across companies.

Notes to the Group financial statements continued

7. Operating (loss)/profit

	2023 £'m	2022 £'m
The following items have been included in arriving at operating (loss)/profit:		
Amortisation and impairment of intangible assets and right-of-use assets (note 13 and note 15)	48.5	12.1
Depreciation of property, plant and equipment and right-of-use assets (notes 14 and 15)	32.8	29.6
Share-based payments charge (including related NI)	–	1.9
Fees payable to the company's auditors:		
– Audit of the Parent Company and consolidated financial statements	0.7	0.4
– Audit of the Parent Company's subsidiaries pursuant to legislation	0.1	0.1
Expenses by function:		
Staff costs (note 31)	111.3	107.3
Depreciation of property, plant and equipment and right-of-use assets (notes 14 and 15)	32.8	29.6
Property related costs (excluding rent)	23.5	22.4
Materials costs	13.8	15.2
Subcontractor costs	10.5	19.9
Selling and distribution expenses	12.8	7.5
Transport costs	16.0	11.1
IT and related costs	10.8	8.5
Audit and tax costs	1.0	0.6
Legal and professional costs	5.8	4.7
Telecommunication and network costs	1.2	0.9
(Profit)/loss on sale of fixed assets	(0.2)	–
Other expenses	4.3	5.0
Total cost of sales and administrative expenses	243.6	232.7
Adjusting items – amortisation and impairment of intangible assets (note 6)	48.5	12.1
Total operating costs	292.1	244.8

8. Finance costs

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

9. 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: (note 22)		
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

The tax charge for the year is higher than the (loss)/profit before tax multiplied by the rate of corporation tax (2022: higher).

10. (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

Notes to the Group financial statements continued

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:

	2023 £'m	2022 £'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 £'m	2022 £'m
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

11. 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).

12. Business combinations

On 31 July 2023, Datashred acquired the trade and assets of WEEE Recycling Ltd for a cash consideration of £0.4m and contingent consideration of £0.1m.

During the year, deferred and contingent consideration of £1.3m was paid in relation to the prior year acquisitions of CAMA Group Limited and Ultratec (Holdings) Limited.

Post acquisition results

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

	2023 £'m	2022 £'m
Revenue	0.1	5.5
Profit before tax since acquisition included in the Consolidated statement of comprehensive income	–	0.5

If the current year acquisition had been completed on the first day of the financial year, Group revenue would have been £277.3m and Group continuing loss before tax would have been £29.0m.

In 2022, the Group completed five acquisitions for a total consideration of £14.7m which was satisfied through £13.4m cash to vendors and £1.3m deferred consideration. Goodwill of £4.9m was recognised with £9.8m of assets acquired.

13. 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

Amortisation is charged to profit or loss as an administrative expense.

The changes to goodwill during the year were as follows:

	£'m
Cost	
1 January 2023	219.1
31 December 2023	219.1
Accumulated impairment	
1 January 2023	17.6
Impairment charge	32.5
31 December 2023	50.1
Carrying amount	
31 December 2023	169.0
31 December 2022	201.5

Notes to the Group financial statements continued

Goodwill has been allocated to the Group's operating segments as follows:

	2023 £'m	2022 £'m
Digital & Information Management	143.6	143.6
Secure Lifecycle Services	25.4	57.9
Total goodwill	169.0	201.5

2022 has been restated to ensure consistent presentation with 2023 disclosures.

Material intangible assets

	2023 £'m	2022 £'m
Digital & Information Management	89.8	96.9
Secure Lifecycle Services	21.2	28.0
Total material intangible assets	111.0	124.9
Remaining useful economic lives (average years)	8.6	10.6

These intangible assets relate to customer relationships. There are no individually material assets relating to applications software IT and trade names.

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 purposes of impairment testing, goodwill, other intangible assets and property, plant and equipment are allocated to cash-generating units ("CGUs") which represent the smallest identifiable group of assets that generates cash inflows from continuing use, in this 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 the 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%)	1,790	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 has 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%)

Notes to the Group financial statements continued

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 impairment 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 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 pre-tax 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.

14. Property, plant and equipment

	Freehold land & buildings £'m	Leasehold improvements £'m	Racking plant & machinery £'m	Office equipment fixtures & fittings £'m	Motor vehicles £'m	Total £'m
Cost						
1 January 2022	35.7	26.4	44.9	10.8	2.2	120.0
Additions	0.9	1.9	3.6	3.5	0.2	10.1
Acquisitions	–	–	0.4	–	–	0.4
Disposals	–	(0.5)	(0.4)	(2.0)	(0.1)	(3.0)
31 December 2022	36.6	27.8	48.5	12.3	2.3	127.5
Additions	2.7	1.3	2.8	2.8	0.1	9.7
Reclassification	0.9	(0.1)	(0.8)	–	–	–
Disposals	–	(0.4)	(0.2)	(0.5)	(0.1)	(1.2)
31 December 2023	40.2	28.6	50.3	14.6	2.3	136.0
Accumulated depreciation						
1 January 2022	3.4	8.8	22.6	5.2	1.2	41.2
Charge for the year	0.8	2.6	3.9	2.1	0.2	9.6
Disposals	–	(0.5)	(0.4)	(2.0)	(0.1)	(3.0)
31 December 2022	4.2	10.9	26.1	5.3	1.3	47.8
Charge for the year	0.6	3.0	3.6	2.5	0.3	10.0
Disposals	–	(0.4)	(0.2)	(0.5)	(0.1)	(1.2)
31 December 2023	4.8	13.5	29.5	7.3	1.5	56.6
Net book value						
31 December 2023	35.4	15.1	20.8	7.3	0.8	79.4
31 December 2022	32.4	16.9	22.4	7.0	1.0	79.7

Capital expenditure contracted for but not provided in the financial statements is shown in note 32.

Depreciation is charged to profit or loss as an administrative expense.

15. Right of use assets

	Leasehold Property £'m	Office equipment, fixtures and fittings £'m	Motor Vehicles £'m	Total £'m
Cost				
1 January 2022 (restated)	133.4	0.1	17.2	150.7
Additions	16.5	–	1.6	18.1
Acquired	0.9	–	–	0.9
Disposals	(1.9)	(0.1)	(3.7)	(5.7)
31 December 2022 (restated)	148.9	–	15.1	164.0
Additions	9.5	–	1.5	11.0
Disposals	(7.7)	–	(3.4)	(11.1)
31 December 2023	150.7	–	13.2	163.9
Accumulated depreciation				
1 January 2022	33.8	–	9.0	42.8
Charge for the year	16.5	–	3.5	20.0
Disposals	(1.9)	–	(3.7)	(5.6)
31 December 2022	48.4	–	8.8	57.2
Charge for the year	19.8	–	3.0	22.8
Disposals	(4.6)	–	(3.4)	(8.0)
Impairment	0.3	–	–	0.3
31 December 2023	63.9	–	8.4	72.3
Net book value				
31 December 2023	86.8	–	4.8	91.6
31 December 2022 (restated)	100.5	–	6.3	106.8

Refer to note 2 for details of the restatement.

The following are the amounts recognised in profit or loss:

	2023 £'m	2022 £'m
Depreciation expense of right-of-use assets	22.8	20.0
Interest expense on lease liabilities	4.4	5.0
Expense relating to short-term leases (included in operating expenses)	2.3	2.2
Impairment of right-of-use assets	0.3	–
Total amount recognised in profit or loss	29.8	27.2

The Group had total cash outflows for leases of £25.1m in 2023 (2022: £24.2m). The Group also had non-cash additions to right-of-use assets and lease liabilities of £11.0m in 2023 (2022: £18.1m). The future cash outflows relating to leases that have not yet commenced are disclosed in note 20. The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the lease-asset portfolio and align with the Group's business needs.

See note 20 for corresponding lease liability.

16. Inventories

	2023 £'m	2022 £'m
Finished goods and goods for resale	1.5	2.0

£7.4m (2022: £4.2m) of inventories were recognised as an expense in cost of sales in the year.

17. Trade and other receivables

	2023 £'m	2022 Restated £'m
Trade receivables	43.8	41.9
Less: Loss allowance	(1.1)	(0.4)
Trade receivables – net	42.7	41.5
Other receivables	1.8	1.6
Prepayments	10.9	9.8
Contract assets	7.7	12.0
	63.1	64.9

The average credit period is 58 days (2022: 55 days). No interest is charged on the trade receivables for the first 30 days from the date of the invoice. Thereafter, interest may be charged on the outstanding balance.

Trade receivables are stated net of allowance for expected credit losses and provisions for sales credit notes and customer rebates. An allowance has been made for estimated credit losses from trade receivables of £1.1m at 31 December 2023 (2022: £0.4m).

2022 has been restated to separately identify contract assets and to classify them in line with the expected timing of realisation (refer to note 2).

Movement in the allowance for expected credit losses

An expected credit loss ("ECL") model in accordance with IFRS 9 has been applied to the Group's trade receivables. The Group have utilised a simplified approach which is permitted by the standard, which applies a credit risk percentage based upon historical risk of default against receivables that are grouped into age brackets. The Group has a low credit risk on its trade receivables and historic defaults.

	2023 £'m	2022 £'m
At 1 January	0.4	0.2
Charged to the Consolidated income statement	0.7	0.2
At 31 December	1.1	0.4

The expected loss rates have been assessed by each business and are based on the payment profiles of sales over the period to 31 December 2023, the availability of credit insurance and the historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables and any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date and makes a provision for impairment accordingly. In calculating ECLs, a loss is either a debt written off or overdue by more than 12 to 24 months depending on the business and/or expected likelihood of recovery. Debts are generally written off following official notice of insolvency, conclusion of legal proceedings or when there is no reasonable expectation of recovery. ECL provisions have been adjusted where relevant to take account of experience during the year and forward looking information. The total impairment loss relating to trade receivables recognised in the consolidated income statement is £nil (2022: nil).

Notes to the Group financial statements continued

31 December 2023	< 30 days £'m	30-60 days £'m	61-90 days £'m	> 91 days £'m	Total £'m
ECL rate	0.4%	1.6%	7.3%	22.8%	2.4%
Total gross carrying amount	28.9	10.1	1.9	2.9	43.8
ECL	(0.1)	(0.2)	(0.1)	(0.7)	(1.1)

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Contract assets

The Group has recognised the following assets related to contracts with customers:

	2023 £'m	2022 £'m
Contract assets	12.9	17.1

£7.7m (2022: £12.0m) of the balance is due within one year with £5.2m (2022: £5.1m) due after one year. The balance due after one year has been presented as a non-current asset on the face of the Consolidated statement of financial position.

Contract assets	2023 £'m	2022 £'m
Records Management	8.8	11.7
Digital	1.7	2.1
Digital & Information Management	10.5	13.8
Technology	0.5	0.6
Datashred	0.3	0.4
Harrow Green	1.6	2.3
Secure Lifecycle Services	2.4	3.3
Total contract assets	12.9	17.1

Contract assets have decreased as the Group has improved billing for its services in line with payment schedules.

18. Trade and other payables

	2023 £'m	2022 Restated £'m
Trade payables	14.1	18.6
Other taxation and social security	8.4	8.5
Other payables	–	0.8
Accruals	18.2	16.6
Contract liabilities	4.2	4.6
	44.9	49.1

2022 has been restated to separately identify contract liabilities and to classify them in line with the expected timing of realisation (refer to note 2).

The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame. Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period for trade purchases is 38 days (2022: 49 days).

Contract liabilities

	2023 £'m	2022 £'m
Contract liabilities	4.6	4.7

£4.2m (2022: £4.6m) of the balance is due within one year with £0.4m (2022: £0.1m) due after one year. The balance due after one year has been presented as a non-current liability on the face of the consolidated statement of financial position.

Contract liabilities	2023 £'m	2022 £'m
Records Management	2.5	2.0
Digital	1.9	2.6
Digital & Information Management	4.4	4.6
Technology	0.1	–
Datashred	0.1	0.1
Harrow Green	–	–
Secure Lifecycle Services	0.2	0.1
Total contract liabilities	4.6	4.7

Overall contract liabilities are broadly consistent with last year, with liabilities in Records Management increasing due to the increase in overall contract activity, offset by lower contract activity in Digital.

19. 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.

The interest rate profile and an analysis of borrowings is given in note 21.

Under the bank 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)

20. Financial liabilities – lease liabilities

	2023 £'m	2022 Restated £'m
Obligations under leases – present value of lease liabilities	103.5	114.9
Repayable by instalments:		
In less than one year	18.6	19.2
In two to five years	49.8	55.5
More than five years	35.1	40.2
	103.5	114.9

Refer to note 2 for details of the restatement.

See note 15 for the corresponding right-of-use asset disclosures.

21. Financial instruments

The Group's financial instruments comprise cash at bank, borrowings and various other receivable and payable balances that arise from its operations. The main purpose of these financial instruments is to finance the Group's operations.

	2023 £'m	2022 Restated £'m
Financial assets at amortised cost:		
Trade receivables and accrued income	47.9	51.2
Cash at bank and on hand	22.7	30.2
Total	70.6	81.4

2022 has been restated to include accrued income within financial assets.

The Directors consider that the fair values of cash at bank and on hand and trade receivables approximate their carrying value, largely due to the short-term maturities of these instruments. The fair value is not significantly different to the carrying amount.

Of the above cash at bank on hand, £21.8m (2022: £28.9m) is denominated in Sterling, £0.6m (2022: £0.8m) in Euros, £0.3m (2022: £0.5m) in USD.

As at 31 December 2023, trade receivables of £4.0m (2022: £1.3m) were past due but not impaired. These relate to a number of independent customers with no recent history of default. The ageing analysis of these trade receivables is as follows:

	2023 £'m	2022 £'m
60–90 days	1.8	0.1
Greater than 90 days	2.2	1.2

	2023 £'m	2022 Restated £'m
Financial liabilities at amortised cost:		
Trade payables and accruals	32.3	35.2
Borrowings (including deferred financing costs)	120.5	133.7
Contingent and deferred consideration	0.1	1.3
Lease liabilities	103.5	114.9
Total	256.4	285.1

2022 has been restated to ensure that only liabilities that meet the definition of a financial liability have been included and has also been restated to reflect the relevant adjustments in note 2.

The Directors consider that the fair values of trade and other payables and deferred consideration approximate their carrying value due to their short-term nature.

Financial risk management

The Group's finance and treasury policies set out the Group's approach to managing treasury risk. The objectives of the Group's financial risk management policies are to ensure sufficient liquidity to meet the Group's operational and strategic needs and the management of financial risk at optimal cost.

The Group is exposed to credit risk, liquidity risk and interest rate risk. The Board oversees the management of these risks through implementation of the Group treasury policy which drives the activities of the Group Treasury Function and who report to the Board on a regular basis.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Trade receivable credit exposure is controlled by counterparty limits that are set, reviewed and approved by operational management on a regular basis.

Trade receivables consist of a large number of typically small to medium sized customers, spread across a number of different market sectors and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and to determine whether the credit risk has increased since initial recognition. Where appropriate, credit guarantee insurance cover is purchased.

The Group does not have any significant credit risk exposure to any single customer, with no single customer representing more than 3% of the Group's revenue.

Liquidity risk management

Liquidity risk is the risk that the Group is unable to meet its financial obligations as they fall due. In order to minimise this risk, the Group seeks to balance certainty of funding and a flexible, cost-effective borrowing structure. The key sources of finance are the RCF and USPP facility providing the Group with £225m of facilities as at 31 December 2023. Should it be needed, the RCF includes an accordion which the Group can exercise to increase by up to a further £25m. The Group also maintains cash balances which are more than sufficient to meet the requirements of the working capital cycle taking into account the seasonality of the business. In March 2024, the Group enacted changes to its financing arrangements in order to more appropriately match the facilities to the Group's needs. Refer to page 107 for more details.

To manage liquidity risk the Group prepares and reviews rolling monthly cash flow forecasts, actual cash and debt positions along with available facilities and headroom which are reported monthly and monitored by Group management. In addition, full annual forecasts are prepared including cash flow and headroom forecasts. The Group is in a good liquidity position and at 31 December 2023 held cash of £22.7m (2022: £30.2m), and had £103.0m (2022: £65.0m) of undrawn debt from the RCF.

Interest rate risk management

The Group has exposure to movements in interest rates on its outstanding floating interest rate RCF debt. To reduce this risk the Group monitors its mix of fixed and floating rate debt and, if required, uses derivative financial instruments to manage this mix. In 2023, the Group has entered into interest rate swap arrangements to swap a portion (£25m) of the floating interest rate debt with fixed rate debt on a 12 month tenor to 31 July 2024. The Group also has a £25m fixed rate, 5 year term debt arrangement under the USPP facility.

Notes to the Group financial statements continued

Currency and interest rate risk profile of financial liabilities

The interest rate risk profile of the Group's gross borrowings for the year was:

Currency	Total £'m	Floating rate financial liabilities £'m	Weighted average interest rates %
Sterling at 31 December 2023	120.5	95.5	6.6
Sterling at 31 December 2022	133.7	133.7	3.1

Interest rate sensitivity

At 31 December 2023, if interest rates had been 50 basis points higher and all other variables were held constant, it is estimated that the Group's loss before tax would be approximately £0.5m (2022: £0.7m) higher. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings and is based on the change taking place at the beginning of the financial year and held constant throughout the year.

Financial assets recognised in the statement of financial position and interest rate profile

All financial assets are short-term receivables and cash at bank. The cash at bank earns interest based on the variable bank base rate and is held with Barclays Bank plc.

Maturity of financial liabilities

The maturity profile of the carrying amount of the Group's financial liabilities was as follows:

	Borrowings £'m	Other financial liabilities* £'m	2023 Total £'m
Within one year, or on demand	–	51.1	51.1
Between two and five years	120.5	49.8	170.3
More than five years	–	35.1	35.1
	120.5	136.0	256.5

	Borrowings £'m	Other financial liabilities* Restated £'m	2022 Total Restated £'m
Within one year, or on demand	–	55.7	55.7
Between two and five years	133.7	55.5	189.2
More than five years	–	40.2	40.2
	133.7	151.4	285.1

* Other financial liabilities include trade payables, accruals, amounts owing under lease arrangements and contingent and deferred consideration.

The 2022 balances have been re-presented in line with 2023 disclosures to ensure consistency and to include the restated financial liabilities position as referred to on page 109. They have also been restated to reflect the relevant adjustments in note 2.

Borrowing facilities

At 31 December 2022 the Group's financing arrangements comprised of a six lender syndicated £200m 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 £103m (2022: £65m). £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.

All of the Group's borrowings are currently in sterling.

Fair values of financial assets and financial liabilities

Excluding the USPP fixed rate notes, the Group's financial assets and liabilities bear floating interest rates and are relatively short-term in nature. In the opinion of the Directors the book values of the assets and liabilities equate to their fair value.

The Group holds interest rate swaps to hedge a portion of its exposure to interest rate risks arising from financing activities. The fair value of derivative financial instruments is derived from "mark-to-market" valuations obtained from the Group's relationships with banks. As at 31 December the fair value of outstanding interest rate swaps was £0.1m.

22. Deferred tax

Summary of balances

	2023 £'m	2022 Restated £'m
Deferred tax liabilities	(39.2)	(43.0)
Deferred tax asset	9.9	12.1
Net position at 31 December	(29.3)	(30.9)

The movement in the year in the Group's net deferred tax position is as follows:

	2023 £'m	2022 £'m
1 January	(30.9)	(28.0)
(Credit)/charge Consolidated statement of comprehensive income for the year	1.8	(0.4)
Tax charged directly to equity	(0.2)	(0.7)
Acquisitions	–	(1.8)
31 December	(29.3)	(30.9)

The 2022 balances have been restated to gross up the deferred tax assets and liabilities in relation to IFRS 16. This is consistent with the disclosure in 2023.

Notes to the Group financial statements continued

The following are the major deferred tax liabilities and assets recognised by the Group and the movements thereon during the year:

Deferred tax (assets)/liabilities	Assets 2023 £'m	Liabilities 2023 £'m	Net liabilities/ (assets) 2023 £'m	Assets 2022 £'m	Liabilities 2022 £'m	Net liabilities/ (assets) 2022 £'m
Property, plant and equipment	–	4.8	4.8	–	4.6	4.6
Share based payments	(0.2)	–	(0.2)	(1.1)	–	(1.1)
Intangibles	–	27.8	27.8	–	31.1	31.1
Pension	(0.2)	–	(0.2)	–	–	–
IFRS 16*	(9.4)	6.3	(3.1)	(10.2)	7.3	(2.9)
Other	(0.1)	0.3	0.2	(0.8)	–	(0.8)
(Assets) / liabilities	(9.9)	39.2	29.3	(12.1)	43.0	30.9

* The 2022 balances have been restated to gross up the deferred tax assets and liabilities in relation to IFRS16. This is consistent with the disclosure in 2023.

The Group has no unrecognised deferred tax balances relating to cumulative tax losses and other deductible temporary differences. At the balance sheet date, no deferred tax liability is recognised on temporary differences associated with investments and subsidiaries on the basis the Group is in a position to control the timing of the reversal of these temporary differences, it is probable that they will not reverse in the foreseeable future and ultimately no tax liabilities are expected to arise as a result of their reversal.

Analysis of net deferred tax liabilities / (assets)	1 January 2023 £'m	Recognised in profit and loss £'m	Recognised in equity £'m	Arising on acquisition £'m	31 December 2023 £'m
Property, plant and equipment	4.6	0.2	–	–	4.8
Share based payments	(1.1)	0.7	0.2	–	(0.2)
Intangibles	31.1	(3.3)	–	–	27.8
Pension	–	(0.2)	–	–	(0.2)
IFRS 16	(2.9)	(0.2)	–	–	(3.1)
Other	(0.8)	1.0	–	–	0.2
	30.9	(1.8)	0.2	–	29.3

Analysis of net deferred tax liabilities / (assets)	1 January 2022 £'m	Recognised in profit and loss £'m	Recognised in equity £'m	Arising on acquisition £'m	31 December 2022 £'m
Property, plant and equipment	2.5	2.1	–	–	4.6
Share based payments	(2.1)	0.3	0.7	–	(1.1)
Intangibles	31.4	(2.6)	–	2.3	31.1
Pension	(0.1)	0.1	–	–	–
IFRS 16	(3.1)	0.2	–	–	(2.9)
Other	(0.6)	0.3	–	(0.5)	(0.8)
	28.0	0.4	0.7	1.8	30.9

23. 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.

Provisions are analysed as follows:

	2023 £'m	2022 £'m
Current	4.4	1.7
Non-current	14.2	15.4
Total	18.6	17.1

24. Called up share capital

	2023 £'m	2022 £'m
Authorised:		
199,000,000 (2022: 199,000,000) ordinary shares of 5p each	10.0	10.0
Allotted, issued and fully paid:		
136,924,067 (2022: 136,924,067) ordinary shares of 5p each	6.8	6.8

The issued ordinary share capital is as follows:

Date	Number of ordinary shares	Issue price
1 January 2022	136,674,067	
26 August 2022	250,000	5.0p
31 December 2022	136,924,067	
31 December 2023	136,924,067	

No ordinary shares were issued during the year (2022: 250,000 ordinary shares) to fund the Group's Employee Benefit Trust.

25. Share premium account

	2023 £'m	2022 £'m
1 January and 31 December	187.9	187.9

The Company may use the reserve to reduce a deficit in the retained earnings of the Company from time to time subject to shareholders and court approval and the Company may release the reserve upon transferring to a blocked trust bank account a sum equal to the remaining amount outstanding to non-consenting creditors that existed at the date of the capital reduction.

26. Other reserves

	Share-based payments reserve £'m	Hedge Reserve £'m	Treasury shares £'m	Total £'m
1 January 2022	9.6	–	(2.6)	7.0
Deferred tax on share-based payments	(0.7)	–	–	(0.7)
Share-based payments	1.7	–	–	1.7
Transfer*	(2.1)	–	–	(2.1)
Purchase of treasury shares	–	–	(1.1)	(1.1)
Disposal of treasury shares	–	–	2.1	2.1
31 December 2022	8.5	–	(1.6)	6.9
Other comprehensive loss for the year	–	(0.1)	–	(0.1)
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	1.5
31 December 2023	4.5	(0.1)	(0.7)	3.7

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

The share-based payments reserve comprises charges made to the income statement in respect of share-based payments under the Group's equity compensation schemes.

The Trustee of the Group's Employee Benefit Trust ("EBT") holds shares in the Company for future satisfaction of options to employees granted under the Group's Share Option Plans. These shares are accounted for as treasury shares. The number of shares held in the EBT as at 31 December 2023 was 343,642.

27. Retained earnings

	2023 £'m	2022 £'m
1 January	71.6	63.5
(Loss)/profit for the year	(30.7)	16.8
Dividends	(9.1)	(9.9)
Transfers*	3.3	2.1
Disposal of treasury shares	(1.4)	(0.9)
31 December	33.7	71.6

* 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.

Retained earnings are the balance of income retained by the Group. Retained earnings may be distributed to shareholders by a dividend payment.

28. Cash flow information

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

Reconciliation of net cash flow to movements in net debt	2023 £'m	2022 £'m
Decrease in cash and cash equivalents in the year	(7.5)	(2.7)
Cashflows	13.0	(1.0)
Debt financing costs	0.8	1.9
Decrease/(increase) in net debt resulting from cash flows	6.3	(1.8)
Amortisation of deferred financing costs (non-cash)	(0.6)	(0.9)
Decrease/(increase) in net debt in the year	5.7	(2.7)
Net debt at 1 January	(103.5)	(100.8)
Net debt at 31 December	(97.8)	(103.5)

Notes to the Group financial statements continued

Analysis of net debt

	At 31 December 2022 Restated £'m	Cash flows £'m	Non-cash items* £'m	At 31 December 2023 £'m
Cash at bank and on hand	30.2	(7.5)	–	22.7
Liabilities arising from financing activities				
Borrowings due after one year	(135.0)	13.0	–	(122.0)
Financial asset – deferred financing costs	1.3	0.8	(0.6)	1.5
Net debt (pre IFRS 16 and derivative liability)	(103.5)	6.3	(0.6)	(97.8)
Lease liabilities	(114.9)	25.1	(13.7)	(103.5)
Derivative financial liability	–	–	(0.1)	(0.1)
Net debt(post IFRS 16 and derivative liability)	(218.4)	31.4	(14.4)	(201.4)

* Non-cash items include the amortisation of deferred financing costs, non-cash movements in lease liabilities due to lease extensions and unwinding of effective interest, and fair value movement of debt recognised in the year which does not give rise to a cash inflow or outflow. 2022 has been restated to reflect the relevant adjustments in note 2.

29. Pensions

The Group operates a number of defined contribution schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. The total cost charged to profit or loss of £2.4m (2022: £2.3m) represents contributions payable to these schemes by the Group at rates specified in the rules of the plan.

30. Share-based payments

Savings related share option scheme ("Sharesave")

The Group operates a savings related share option scheme. This is an approved HMRC scheme which was established in 2018.

Under the Sharesave scheme, participants remaining in the Group's employment at the end of the three-year savings period are entitled to use their savings to purchase shares in the Company at a stated exercise price.

Employees leaving for certain reasons are able to use their savings to purchase shares within six months of their leaving. During the year, no awards were granted (2022: 613,126).

A reconciliation of Sharesave share option movements is below:

	2023 Number	2023 Weighted average exercise price	2022 Number	2022 Weighted average exercise price
Outstanding at 1 January	1,169,658	326.9p	1,351,078	303.4p
Issued	–	–	613,126	353.0p
Lapsed	(2,298)	274.0p	(113,833)	391.8p
Forfeited	(15,047)	330.8p	–	–
Cancelled	(541,756)	330.3p	(248,276)	324.5p
Exercised	(39,959)	274.0p	(432,437)	274.7p
Outstanding at 31 December	570,598	327.5p	1,169,658	326.9p
Exercisable at 31 December	3,941	274.0p	46,198	274.0p

The weighted average remaining vesting period of the options outstanding at 31 December 2023 was 0.9 years (2022: 1.9 years).

Long term incentive plan ("LTIP")

The Group operates an LTIP which was established in 2018 and the first awards were made in 2019. Under the Long-Term Incentive Plan, shares are conditionally awarded to senior employees of the Group. The awards are calculated as a percentage of the participants' salaries and scaled according to seniority.

Performance is measured at the end of the three-year performance period. If the required performance conditions have been met, the awards vest and may be subject to a further holding period of up to two years. These awards have no associated exercise price.

A reconciliation of LTIP share option movements is below:

	2023 Number	2022 Number
Outstanding at 1 January	2,415,272	1,982,570
Issued	2,323,484	653,159
Lapsed	(394,010)	(46,031)
Forfeited	(877,115)	(106,252)
Exercised	(633,532)	(68,174)
Cancelled	(113,761)	–
Outstanding at 31 December	2,720,338	2,415,272
Exercisable at 31 December	71,134	446,806

The weighted average remaining vesting period of the LTIP awards is 1.7 years (2022: 1.3 years).

The weighted average share price of options exercised during the period was 220.0p at the date of exercise.

The fair value of the options granted in the year without market-based performance conditions were estimated using the share price at the date of grant. The fair value of the options granted with market-based performance conditions were estimated using a Monte-Carlo model taking into account the terms and conditions upon which the options were granted. The following table lists the key inputs and assumptions used to value the LTIP grants during the year:

	2023 LTIP subject to fully diluted EPS	**2023 LTIP subject to TSR**	**2023 LTIP subject fully diluted EPS**	**2023 LTIP subject to TSR**
Grant date	17 November	17 November	22 June	22 June
Weighted average share price at grant date	£2.07	£2.07	£2.51	£2.51
Exercise price	£nil	£nil	£nil	£nil
Share options	436,577	1,309,731	432,882	144,294
Expected volatility	n/a	42.69%	n/a	36.74%
Risk Free rate of return	n/a	4.22%	n/a	4.96%
Expected dividend yield	n/a	n/a	n/a	n/a
Expected life of options (years)	2.5	2.5	2.8	2.8
Weighted average fair value per option	£2.07	£1.15	£2.51	£1.35
Model used	Share price	Monte-Carlo	Share price	Monte-Carlo

The total fair value of LTIP options issued in 2023 was £3.7m (2022: £2.6m).

The expected volatility was determined by calculating the historical volatility of the Group's share price over the previous number of years commensurate with the expected life of options.

Notes to the Group financial statements continued

Executive committee bonus surrender for shares award

In 2021, because of the COVID-19 pandemic, instead of awarding a cash bonus to the executive committee, a deferred discretionary bonus was awarded in the form of a share award, conditional only upon individuals remaining in employment over a fixed period of time. These awards have no associated exercise price.

A reconciliation of the share option movements is below:

	2023 Number	2022 Number
Outstanding at 1 January	17,873	153,066
Granted	–	–
Exercised	–	(135,193)
Outstanding at 31 December	17,873	17,873
Exercisable at 31 December	17,873	17,873

The weighted average remaining vesting period of the award is nil years (2022: 0.5).

The weighted average share price of options exercised during the year was nil at the date of exercise.

Legacy share option scheme

The Legacy share option scheme was introduced in 2010 and the last award under the scheme was made in 2018. Under the scheme the Remuneration Committee could grant options over shares in the Company to Directors and employees of the Group.

Options were granted at a fixed price equal to the market price of the shares under option at the date of grant. Awards under the scheme were generally reserved for employees at senior management level and above.

Between 2010 and 2018 the Company made grants of options to Senior Management and Directors, on which there are no performance conditions, and which are exercisable within 0–10 years.

A reconciliation of the legacy share option movements is below:

	2023 Number	2023 Weighted average exercise price	2022 Number	2022 Weighted average exercise price
Outstanding at 1 January	825,000	359.5p	1,250,000	371.1p
Exercised	(150,000)	149.5p	(225,000)	351.3p
Lapsed	–	–	(200,000)	441.4p
Outstanding at 31 December	675,000	406.2p	825,000	359.5p
Exercisable at 31 December	675,000	406.2p	825,000	359.5p

The weighted average contractual life of the remaining awards is 3.2 years (2022: 6.6 years).

The weighted average share price of options exercised during the year was 223.0p at the date of exercise.

The exercisable options outstanding at 31 December 2023 had an exercisable price of between 240.0p and 501.0p.

31. Directors and employees

Staff costs during the year	2023 £'m	2022 £'m
Wages and salaries	99.0	94.2
Social security costs	9.8	8.9
Post employment benefits	2.5	2.3
Share-based payments charge (including related NI)	–	1.9
Total	111.3	107.3

Average monthly number of employees during the year	2023 Number	2022 Number
Directors	2	2
Management	159	178
Administration	515	501
Operatives	2,051	2,189
Total	2,727	2,870

Total amounts for Directors' remuneration and other benefits	2023 £'m	2022 £'m
Emoluments for Directors' services	1.5	1.4
Directors' remuneration shown above included the following amounts in respect of the highest paid Director:		
Aggregate emoluments	0.3	0.7

Key management compensation	2023 £'m	2022 £'m
Short-term employment benefits	7.8	7.2
Social security costs	1.1	1.1
Post-employment benefits	0.4	0.4
Other benefits	0.2	0.2
Share-based payments charge	–	1.9
	9.5	10.8

The key management of the Group are management attending senior leadership team meetings.

32. Capital commitments

Capital expenditure	2023 £'m	2022 £'m
Contracted for but not provided in the financial statements	0.3	4.7

The capital commitments consist of £0.2m (2022: £0.5m) in respect of general plant and equipment and £0.1m (2022: £4.2m) in respect of land and buildings.

33. Contingent liabilities

The Company has entered into a bank cross guarantee with its subsidiaries. The guarantee amounts to £97.8m at 31 December 2023 (2022: £103.5m). The assets of the Company and its subsidiaries are pledged as security for the borrowings, by way of a fixed and floating charge.

As at the balance sheet date, the Group had outstanding obligations under customer guarantees and claims of up to £nil (2022: £nil).

As disclosed within note 39, subsidiary undertakings that are fully owned trading companies and holding companies have taken exemption available under Section 479A of the Companies Act 2006 in respect of the requirement for audit. As a condition of the exemption, the Company has guaranteed the year end liabilities of the entity until they are settled in full.

In previous years, the Group has provided a letter of financial support to its subsidiary Harrow Green Limited, who have been able to draw on financial support from the Group for a period of at least one year from the date of signing the relevant financial statements. If required, we will continue to provide this letter for 2023.

34. Related party transactions and controlling party

The remuneration of key management personnel and details of the Directors' emoluments are shown in note 31. During the year, dividends of £28,601, £2,857, £1,691, £1,027, £1,368, £266 and £185 were paid to Charles Skinner, Charles Bligh, Neil Ritchie, Sharon Baylay-Bell, Jamie Hopkins, Susan Davy and Mike Killick respectively (2022: nil, £2,512, £1,348, £1,055, £541, £292 and nil respectively). Please note that Charles Shinner and Mike Killick were not Directors of the Group in 2022 so no prior year comparative has been stated.

The Directors do not consider there to be a controlling party.

Details of subsidiary undertakings of the parent entity at the end of the year is disclosed in note 39.

35. Post balance sheet events

Subsequent to the year-end, the Group has made the following changes to its financing arrangements:

- 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.

Parent Company statement of financial position

At 31 December 2023

Company registered number:05169780	Note	31 December 2023 £'m	31 December 2022 Restated* £'m
ASSETS			
Non-current assets			
Intangible assets	36	175.1	180.0
Property, plant and equipment	37	65.8	60.2
Right of use assets	38	67.7	79.3
Investments	39	90.7	95.2
Other receivables	41	5.2	5.1
		404.5	419.8
Current assets			
Inventories	40	0.5	0.8
Trade and other receivables	41	130.6	141.5
Cash and cash equivalents	43	11.6	13.7
		142.7	156.0
Total assets		547.2	575.8
LIABILITIES			
Current liabilities			
Trade and other payables	42	(22.0)	(30.3)
Derivative liability		(0.1)	–
Current tax liabilities		(5.8)	(5.2)
Financial liabilities – leases liabilities	44	(13.2)	(13.1)
Provisions	47	(3.2)	(1.4)
		(44.3)	(50.0)
Non-current liabilities			
Financial liabilities – borrowings	43	(120.5)	(133.7)
Financial liabilities – lease liabilities	44	(60.6)	(70.5)
Other long term liabilities	44	(34.0)	(34.0)
Deferred tax liability	46	(20.7)	(20.3)
Provisions	47	(12.4)	(12.1)
		(248.2)	(270.6)
Total liabilities		(292.5)	(320.6)
Net assets		254.7	255.2
EQUITY			
Share capital	48	6.8	6.8
Share premium		187.9	187.9
Other reserves		3.0	6.2
Retained earnings		57.0	54.3
Total equity		254.7	255.2

* Refer to pages 124 to 126 for details of the restatement.

The Parent Company's profit for the financial year was £9.9m (2022: £12.2m).

These financial statements on pages 121 to 142 were approved by the Board of Directors and authorised for issue on 13 March 2023 and were signed on its behalf by:

Charles Skinner

Chief Executive Officer

Dan Baker

Chief Financial Officer

Parent Company 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 as stated	6.8	187.9	6.1	52.1	252.9
Prior year restatement	–	–	–	(1.3)	(1.3)
Balance at 1 January 2022 (restated)	6.8	187.9	6.1	50.8	251.6
Profit for the year	–	–	–	12.2	12.2
Total comprehensive income for the year	–	–	–	12.2	12.2
Transactions with owners					
Dividends	–	–	–	(9.9)	(9.9)
Share-based payment	–	–	1.7	–	1.7
Deferred tax on share-based	–	–	(0.5)	–	(0.5)
Transfers*	–	–	(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	6.2	54.3	255.2
Balance at 1 January 2023	6.8	187.9	6.2	54.3	255.2
Profit for the year	–	–	–	9.9	9.9
Other comprehensive loss for the year	–	–	(0.1)	–	(0.1)
Total comprehensive income for the year	–	–	(0.1)	9.9	9.8
Transactions with owners					
Dividends	–	–	–	(9.1)	(9.1)
Share-based payment	–	–	(0.5)	–	(0.5)
Deferred tax on share-based payment	–	–	(0.2)	–	(0.2)
Transfers*	–	–	(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	3.0	57.0	254.7

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

Refer to pages 124 to 126 for details of the restatement.

Parent Company statement of cash flows

For the year ended 31 December 2023

	Note	Year ended 31 December 2023 £'m	Year ended 31 December 2022 £'m
Cash generated from operating activities	49	48.4	44.4
Net finance costs		(11.5)	(10.3)
Income taxes paid		(5.0)	(3.6)
Net cash generated from operating activities		31.9	30.5
Cash flows from investing activities			
Purchase of property, plant and equipment and applications software	36, 37	(7.2)	(6.7)
Purchase of subsidiary undertakings, net of cash acquired	39	–	(0.3)
Purchase of trade and assets	36	–	(0.7)
Net intercompany loan drawdown/(repayment)	41,42,44	8.2	(3.4)
Net cash generated from/(used in) investing activities		1.0	(11.1)
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		(12.4)	(12.9)
Net cash used in financing activities		(35.0)	(21.7)
Net decrease in cash and cash equivalents		(2.1)	(2.3)
Cash and cash equivalents at start of year		13.7	16.0
Cash and cash equivalents at end of year	43	11.6	13.7

Parent Company material accounting policies

For the year ended 31 December 2023

Basis of preparation

The Parent Company financial statements of Restore plc have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006.

The 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 Parent Company financial statements are presented in pounds sterling and, unless stated otherwise, shown in pounds million to one decimal place.

The Directors consider that the accounting policies as shown on pages 83 to 88 are appropriate for the Parent Company financial statements, are supported by reasonable judgements and estimates and have been consistently applied except where stated below.

Going concern

The going concern basis has been applied in these financial statements.

The going concern position is discussed further in the Consolidated financial statements of the Group on page 83 and applies to the Parent Company.

Parent Company profit and loss account

In accordance with section 408 of the Companies Act 2006 the Parent Company is exempt from the requirement to present its own profit and loss account. The results for the financial year of the Parent Company are given on page 121 of the financial statements.

Investment in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses.

Prior year restatement

During the year the Group reviewed the classification and presentation of the prior year balances within the Parent Company statement of financial position and noted that the following changes were required:

- contract assets within trade and other receivables and contract liabilities within trade and other payables have been re-presented based on the expected timing of the realisations of these assets and liabilities. The impact is a £5.1m reclassification of contract assets from trade and other receivables in current assets to other receivables within non-current assets and a £0.1m reclassification of contract liabilities from trade and other payables in current liabilities to other payables in non-current liabilities;
- a historical fair value adjustment of £5.4m related to freehold land held by the Group was not included appropriately in property, plant and equipment and should be reclassified from intangible assets where it was previously recorded. The deferred tax impact of this is £1.3m;
- the dilapidations provision in the prior year did not include all properties which are within the Parent Company, therefore the balance has been restated by £1.9m to reflect the correct estate. In the prior year, the corresponding entry to the dilapidations provision was to right of use assets and therefore this balance has also been restated; and
- the right of use assets and lease liabilities have been restated to correct an error in the recording of a legacy lease. The opening balance in note 15 has also therefore been restated.

Notes to the Parent Company financial statements

For the year ended 31 December 2023

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

Parent Company statement of financial position	As reported 2022 £'m	Impact of restatement 2022 £'m	Restated 2022 £'m
Non-current assets			
Intangible assets	185.4	(5.4)	180.0
Property, plant and equipment	54.8	5.4	60.2
Right of use assets	72.0	7.3	79.3
Other receivables	–	5.1	5.1
Current assets			
Trade and other receivables	146.6	(5.1)	141.5
Non-current liabilities			
Lease liabilities	(65.1)	(5.4)	(70.5)
Other long term liabilities	(33.9)	(0.1)	(34.0)
Deferred tax liability	(19.0)	(1.3)	(20.3)
Provisions	(10.7)	(1.4)	(12.1)
Current liabilities			
Trade and other payables	(30.4)	0.1	(30.3)
Provisions	(0.9)	(0.5)	(1.4)
Equity			
Retained earnings	55.6	(1.3)	54.3

The restatement impacted net assets by £1.3m in 2022.

Notes to the Parent Company financial statements continued

The impact on the opening Parent Company statement of financial position as at 1 January 2022 is as follows:

Parent Company statement of financial position	As reported 2021 £'m	Impact of restatement 2021 £'m	Restated 2021 £'m
Non-current assets			
Intangible assets	170.8	(5.4)	165.4
Property, plant and equipment	52.9	5.4	58.3
Right of use assets	73.3	6.5	79.8
Other receivables	–	2.7	2.7
Current assets			
Trade and other receivables	123.0	(2.7)	120.3
Non-current liabilities			
Lease liabilities	(73.5)	(5.4)	(78.9)
Other long term liabilities	(18.0)	(0.1)	(18.1)
Deferred tax liability	(19.7)	(1.3)	(21.0)
Provisions	(5.3)	0.3	(5.0)
Current liabilities			
Trade and other payables	(19.2)	0.1	(19.1)
Provisions	(0.7)	(1.4)	(2.1)
Equity			
Retained earnings	52.1	(1.3)	50.8

The restatement impacted net assets by £1.3m in 2021.

Adoption of new and revised standards

The following new standards and amendments to standards were effective for the first time during the financial year: IFRS 17 Insurance Contracts; Definition of Accounting Estimates – amendments to IAS 8; International Tax Reform – Pillar Two Model Rules – amendments to IAS 12; Amendments to IAS 1 and IFRS Practice Statement 2; Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12. These new standards and amendments to standards did not have a material effect on the financial statements.

New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods an on foreseeable future transactions.

36. Intangible assets

	Goodwill £'m	Customer relationships £'m	Applications software IT £'m	Total £'m
Cost				
1 January 2022 (restated)	97.6	92.4	5.2	195.2
Additions – external	–	–	0.5	0.5
Addition arising on hive-up	–	1.7	–	1.7
Arising on acquisition of trade and assets	–	0.7	–	0.7
Fair value adjustment on prior year hive-up	(0.2)	–	–	(0.2)
Disposal	–	–	(0.2)	(0.2)
Arising on transfer from subsidiary	9.3	8.7	–	18.0
31 December 2022 (restated)	106.7	103.5	5.5	215.7
Additions – external	–	–	0.1	0.1
Addition arising on hive-up	0.9	–	–	0.9
31 December 2023	107.6	103.5	5.6	216.7
Accumulated amortisation				
1 January 2022	3.8	22.5	3.5	29.8
Charge for the year	–	5.3	0.6	5.9
31 December 2022	3.8	27.8	4.1	35.7
Charge for the year	–	5.3	0.6	5.9
31 December 2023	3.8	33.1	4.7	41.6
Carrying amount				
31 December 2023	103.8	70.4	0.9	175.1
31 December 2022 (restated)	102.9	75.7	1.4	180.0

Amortisation is charged to profit or loss as an administrative expense.

On 18 January 2023 the trade and assets of the Document Warehouse were transferred to Restore plc.

The changes to goodwill during the year were as follows:

	£'m
Cost	
1 January 2022 (restated)	97.6
Fair value adjustment on prior year hive-up	(0.2)
Hive up – EDM Businesses	9.3
31 December 2022 (restated)	106.7
Hive up – The Document Warehouse	0.9
31 December 2023	107.6
Accumulated impairment	
1 January 2022 and 31 December 2022	3.8
1 January 2023 and 31 December 2023	3.8
Carrying amount	
31 December 2023	103.8
31 December 2022 (restated)	102.9

Refer to pages 124 to 126 for details of the restatement to goodwill.

Notes to the Parent Company financial statements continued

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 intangibles assets and property, plant and equipment are allocated to CGUs 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.

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 of 11.9% (2022: 9.5%).

A summary of the 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 cash flows into perpetuity as % of value-in-use calculation (%)
Records Management	3.7%	5.0%	210	11.9%	321.4	192.0	59.8%	58.7%

Sensitivity

The Parent Company has not identified any reasonable potential changes to key assumptions that would cause the carrying value of the remaining goodwill or intangible assets to exceed its recoverable amount and therefore no further sensitivity analysis has been completed.

37. Property, plant and equipment

	Freehold land & buildings £'m	Leasehold improvements £'m	Racking plant & machinery £'m	Office equipment fixtures & fittings £'m	Motor vehicles £'m	Total £'m
Cost						
1 January 2022 (restated)	30.0	18.6	30.6	3.5	0.1	82.8
Additions	1.4	1.6	2.2	1.0	–	6.2
Transfer from subsidiary	–	0.3	–	0.5	–	0.8
31 December 2022 (restated)	31.4	20.5	32.8	5.0	0.1	89.8
Reclassification	0.9	(0.1)	(0.8)	–	–	–
Additions	2.6	0.7	2.1	1.7	–	7.1
Transfer from subsidary	4.0	–	0.1	–	–	4.1
31 December 2023	38.9	21.1	34.2	6.7	0.1	101.0
Accumulated depreciation						
1 January 2022	2.7	6.4	13.2	2.1	0.1	24.5
Charge for the year	0.6	1.8	2.0	0.7	–	5.1
31 December 2022	3.3	8.2	15.2	2.8	0.1	29.6
Charge for the year	0.7	2.0	2.2	0.7	–	5.6
31 December 2023	4.0	10.2	17.4	3.5	0.1	35.2
Net book value						
31 December 2023	34.9	10.9	16.8	3.2	–	65.8
31 December 2022 (restated)	28.1	12.3	17.6	2.2	–	60.2

Capital expenditure contracted for but not provided in the financial statements is shown in note 53.

Depreciation is charged to profit or loss as an administrative expense.

Refer to pages 124 to 126 for details of the restatement to freehold land and buildings.

38. Right of use assets

	Leasehold Property £'m	Motor Vehicles £'m	Total £'m
Cost			
1 January 2022 (restated)	105.1	2.5	107.6
Additions	14.0	–	14.0
Disposals	(1.1)	(0.5)	(1.6)
31 December 2022 (restated)	118.0	2.0	120.0
Additions	4.0	0.7	4.7
Disposals	(0.9)	(0.8)	(1.7)
31 December 2023	121.1	1.9	123.0
Accumulated depreciation			
1 January 2022	26.3	1.5	27.8
Charge for the year	12.5	0.6	13.1
Disposals	(0.1)	(0.1)	(0.2)
31 December 2022	38.7	2.0	40.7
Charge for the year	15.3	0.7	16.0
Disposals	(0.6)	(0.8)	(1.4)
31 December 2023	53.4	1.9	55.3
Net book value			
31 December 2023	67.7	–	67.7
31 December 2022 (restated)	79.3	–	79.3

Refer to pages 124 to 126 for details of the restatement.

39. Investments

Shares in subsidiary undertakings

	£'m
Cost	
1 January 2022	137.2
Capital contribution – subsidiary share-base payment	0.8
Transferred to intangible assets (less deferred tax)	(1.7)
31 December 2022	136.3
Capital contribution – subsidiary share-base payment	0.3
Transferred to goodwill on hive-up of subsidiary	(0.9)
Transferred to assets on hive-up of subsidiary	(4.1)
Transferred to liabilities on hive-up of subsidiary	0.2
31 December 2023	131.8
Accumulated impairment	
1 January 2022 and 31 December 2022	41.1
1 January 2023 and 31 December 2023	41.1
Net book value	
31 December 2023	90.7
31 December 2022	95.2

All fully owned trading companies and holding companies, excluding Harrow Green, have taken the exemption from audit under section 479A of the Companies Act 2006.

Notes to the Parent Company financial statements continued

Dormant companies are exempt from filing financial statements under section 394 of the Companies Act 2006.

At 31 December 2023 the Parent Company held directly and indirectly equity and voting rights of the following undertakings:

Company	Class of holding	% held	Country of incorporation	Nature of business
Holding company				
This company is registered at The Databank, Unit 5 Redhill Distribution Centre, Salbrook Road, Redhill, Surrey RH1 5DY.				
Restore Group Holdings Limited[1]	Ordinary	100%	England and Wales	Holding
Records Management				
All UK companies within this business unit are registered at The Databank, Unit 5 Redhill Distribution Centre, Salbrook Road, Redhill, Surrey RH1 5DY.				
1 Big Data Management Limited[1]	Ordinary	100%	England and Wales	Dormant
The Document Warehouse (UK) Limited[1]	Ordinary	100%	England and Wales	Records Management
Wansdyke Security Limited[1]	Ordinary	100%	England and Wales	Dormant
Digital				
All UK companies within this business unit are registered at Village Way, Bilston, Wolverhampton, England WV14 0UJ unless otherwise stated.				
Capture All Limited[2]	Ordinary	100%	Scotland	Digital services
Didata Limited	Ordinary	100%	England and Wales	Dormant
EDM Business Services Holdings Limited	Ordinary	100%	England and Wales	Dormant
EDM Group Limited	Ordinary	100%	England and Wales	Digital services
EDM Group (Holdings) Limited	Ordinary	100%	England and Wales	Digital services
EDM Insurance Services Limited	Ordinary	100%	England and Wales	Dormant
EDM Records Management Limited	Ordinary	100%	England and Wales	Dormant
Filing Plus Limited	Ordinary	100%	England and Wales	Dormant
Filing Plus Group Limited	Ordinary	100%	England and Wales	Dormant
Rainbow BidCo Limited	Ordinary	100%	England and Wales	Holding
Rainbow HoldCo Limited	Ordinary	100%	England and Wales	Holding
Restore Digital Limited	Ordinary	100%	England and Wales	Digital services
Scan Image Solutions UK Limited	Ordinary	100%	England and Wales	Dormant
Sala Imaging Limited	Ordinary	100%	England and Wales	Dormant
Sala Integrated Information Management Limited	Ordinary	100%	England and Wales	Dormant
Technology				
All UK companies within this business unit are registered at Cardington Point, Telford Way, Bedford, MK42 0PQ unless otherwise stated.				
€ Recycling Limited	Ordinary	100%	England and Wales	Dormant
Computer Disposals Limited	Ordinary	100%	England and Wales	Dormant
Euro-Recycling Limited	Ordinary	100%	England and Wales	Dormant
MAC2CASH Limited	Ordinary	100%	England and Wales	Dormant
PCBITZ.COM Limited	Ordinary	100%	England and Wales	Dormant
PRM Green Technologies Limited	Ordinary	100%	England and Wales	Dormant
Restore Technology Limited	Ordinary	100%	England and Wales	Technology
Secure IT Destruction LTD	Ordinary	100%	England and Wales	Dormant
Secure IT Disposals Limited	Ordinary	100%	England and Wales	Dormant
The Bookyard LTD	Ordinary	100%	England and Wales	Dormant
Ultraerase Limited[3]	Ordinary	100%	England and Wales	Dormant
Ultratec Limited	Ordinary	100%	England and Wales	Technology
Ultratec (Holdings) Limited	Ordinary	100%	England and Wales	Technology
Ultratest Solutions Limited	Ordinary	100%	England and Wales	Technology
Ultrarecycle Limited	Ordinary	100%	England and Wales	Technology
Datashred				
All UK companies within this business unit are registered at The Databank, Unit 5 Redhill Distribution Centre, Salbrook Road, Redhill, Surrey RH1 5DY unless otherwise stated.				
Data Shred Limited	Ordinary	100%	England and Wales	Dormant
ID Secured Limited	Ordinary	100%	England and Wales	Dormant

Company	Class of holding	% held	Country of incorporation	Nature of business
Restore Datashred Limited[4]	Ordinary	100%	England and Wales	Shredding services
Restore Shred Limited[1]	Ordinary	100%	England and Wales	Dormant
Safe-Shred UK Limited[4]	Ordinary	100%	England and Wales	Dormant
Harrow Green				
All UK companies within this business unit are registered at 2 Oriental Road, Silvertown, London, E16 2BZ.				
Harrow Green Limited	Ordinary	100%	England and Wales	Relocation
CAMA Workspace Limited	Ordinary	100%	England and Wales	Relocation
Other investments				
Except as stated, all companies within this section are registered at 52 Burners Lane, Kiln Farm, Milton Keynes, MK11 3HD.				
Ink and Toner Recycling LTD	Ordinary	40%	England and Wales	Remediation and waste management services
International Technology Products (UK) Limited	Ordinary	40%	England and Wales	Waste and scrap wholesale
International Technology Products GmbH[5]	Ordinary	40%	England and Wales	Printer cartridge recycling
ITP Group Holdings Limited	Ordinary	40%	England and Wales	Head office activities
Office Green Limited	Ordinary	40%	England and Wales	Waste and scrap wholesale
Peabody QED Thurrock Management Limited[6]	Ordinary	33%	England and Wales	Management of real estate
Takeback Limited	Ordinary	40%	England and Wales	Waste and scrap wholesale

1 Held directly
2 The registered address is 1 Dewar Square, Deans, Livingston EH54 8SA.
3 The registered address is The Databank, Unit 5 Redhill Distribution Centre, Salbrook Road, Redhill, Surrey RH1 5DY.
4 The registered address is Unit Q1, Queen Elizabeth Distribution Centre, Purfleet, Essex, RM19 1NA
5 The registered address is Vogesenstrasse 1, Stockstadt am Main, Bavaria, 63811, Germany.
6 The registered address is 2nd Floor Butler House, 177-178 Tottenham Court Road, London, England W1T 7AF.

40. Inventories

	2023 £'m	2022 £'m
Finished goods and goods for resale	0.5	0.8

£3.1m (2022: £3.1m) of inventories were recognised as an expense in cost of sales in the year.

41. Trade and other receivables

	2023 £'m	2022 Restated £'m
Due in less than one year		
Trade receivables	17.0	15.6
Less: Loss allowance	(0.4)	–
Trade receivables – net	16.6	15.6
Amounts due from Group undertakings	17.4	13.5
Other receivables	1.5	0.1
Prepayments	7.1	5.0
Contract assets	3.6	6.6
	46.2	40.8
Due after more than one year		
Amounts due from Group undertakings*	84.4	100.7
Contract assets	5.2	5.1
	135.8	146.6

* Although it is the Parent Company's intention to not request settlement of these receivables in less than one year, there is no formal agreement supporting this intention and therefore these balances have been presented as current assets on the face of the Parent Company Statement of financial position.

2022 has been restated to separately identify contract assets and classify them in line with the expected timing of realisation (refer to pages 124 to 126.)

Notes to the Parent Company financial statements continued

The average credit period is 50 days (2022: 50 days).

Trade receivables are stated net of allowance for estimated credit losses and provisions for sales credit notes and customer rebates. An allowance has been made for estimated credit losses from trade receivables of £0.4m at 31 December 2023 (2022: £nil).

Movement in the allowance for expected credit losses

An ECL model in accordance with IFRS 9 has been applied to the Group's trade receivables. The Group have utilised a simplified approach which is permitted by the standard, which applies a credit risk percentage based upon historical risk of default against receivables that are grouped into age brackets. The Group has a low credit risk on its trade receivables and historic defaults.

Movement in loss allowance	2023 £'m	2022 £'m
1 January	–	–
Created in the year	0.4	–
31 December	0.4	–

The expected loss rates have been assessed based on the payment profiles of sales over the period to 31 December 2023, the availability of credit insurance and the historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables and any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date and makes a provision for impairment accordingly. In calculating ECLs, a loss is either a debt written off or overdue by more than 12 to 24 months depending on the business and/or expected likelihood of recovery. Debts are generally written off following official notice of insolvency, conclusion of legal proceedings or when there is no reasonable expectation of recovery. ECL provisions have been adjusted where relevant to take account of experience during the year and forward looking information. The total impairment loss relating to trade receivables recognised in the consolidated income statement is £nil (2022: nil).

31 December 2023	< 30 days £'m	30-60 days £'m	61-90 days £'m	> 91 days £'m	Total £'m
ECL rate	0.4%	0.8%	7.7%	32.4%	2.1%
Total gross carrying amount	9.9	5.5	0.9	0.7	17.0
ECL	–	(0.1)	(0.1)	(0.2)	(0.4)

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Contract assets

	2023 £'m	2022 £'m
Contract assets	8.8	11.7

42. Trade and other payables

	2023 £'m	2022 Restated £'m
Trade payables	7.9	7.8
Amount due to Group undertakings	1.2	9.6
Other taxation and social security	3.7	4.1
Other payables	0.2	0.2
Accruals	6.9	6.7
Contract liabilities	2.1	1.9
	22.0	30.3

The Parent Company has financial risk management policies in place to ensure that all payables are paid within the credit time frame. Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period for trade purchases is 55 days (2022: 59 days).

2022 has been restated to separately identify contract liabilities and classify them in line with the expected timing of realisation (refer to pages 124 to 126.)

Contract liabilities

	2023 £'m	2022 £'m
Contract liabilities	2.5	2.0

£0.4m (2022: £0.1m) of contract liabilities are due after one year, refer to note 44.

43. 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 Parent Company'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 Parent Company.

On the 27 January 2023, the Parent Company extended the RCF maturity through to 30 April 2026. On the 28 March 2023, the Parent Company 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 Parent Company'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 Parent Company 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.

The interest rate profile and an analysis of borrowings is given in note 45.

Under the borrowings facilities the Parent Company 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	11.6	13.7
Borrowings due after one year	(120.5)	(133.7)
	(108.9)	(120.0)

44. Other financial liabilities

	2023 £'m	2022 Restated £'m
Financial liabilities – present value of lease liabilities	73.8	83.6
Repayable by instalments:		
In less than one year	13.2	13.1
In two to five years	29.5	41.2
More than five years	31.1	29.3
	73.8	83.6

Refer to pages 124 to 126 for details of the restatement.

	2023 £'m	2022 £'m
Amount due to Group undertakings	33.6	33.9
Contract liabilities	0.4	0.1
	34.0	34.0

45. Financial instruments

The Parent Company's financial instruments comprise cash at bank, borrowings and various other receivable and payable balances that arise from its operations. The main purpose of these financial instruments is to finance the Parent Company operations.

	2023 £'m	2022 Restated £'m
Financial assets at amortised cost:		
Trade receivables and accrued income	17.7	19.9
Amounts due from Group undertakings	101.8	114.2
Cash at bank and on hand	11.6	13.7
Total	131.1	147.8

2022 has been restated to include accrued income within financial assets.

The Directors consider that the fair values of cash at bank and on hand and trade receivables approximate their carrying value, largely due to the short-term maturities of these instruments. The fair value is not significantly different to the carrying amount.

As at 31 December 2023 trade receivables of £1.3m (2022: £0.9m) were past due but not impaired.

These relate to a number of independent customers with no recent history of default. The ageing analysis of these trade receivables is as follows:

	2023 £'m	2022 £'m
60–90 days	0.8	0.3
Greater than 90 days	0.5	0.6

	2023 £'m	2022 Restated £'m
Financial liabilities at amortised cost:		
Trade payables and accruals	15.0	14.7
Amounts due to Group undertakings	34.8	43.5
Borrowings (including deferred financing costs)	120.5	133.7
Lease liabilities	73.8	83.6
Total	244.1	275.5

2022 has been restated to ensure that only liabilities that meet the definition of a financial liabilities have been included and has also been restated to reflect the relevant adjustments on pages 124 to 126.

The Directors consider that the fair values of trade payables and accruals approximate to their carrying value due to their short-term nature.

Financial risk management

The Parent Company's finance and treasury policies set out the Group's approach to managing treasury risk. The objectives of the Group's financial risk management policies are to ensure sufficient liquidity to meet the Group's operational and strategic needs and the management of financial risk at optimal cost.

The Parent Company is exposed to credit risk, liquidity risk and interest rate risk. The Board oversees the management of these risks through implementation of the Group treasury policy which drives the activities of the Group Treasury Function and who report to the Board on a regular basis.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Parent Company. Trade receivable credit exposure is controlled by counterparty limits that are set, reviewed and approved by operational management on a regular basis.

Trade receivables consist of a large number of typically small to medium sized customers, spread across a number of different market sectors and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and to determine whether the credit risk has increased since initial recognition. Where appropriate, credit guarantee insurance cover is purchased.

The Parent Company does not have any significant credit risk exposure to any single customer, with no single customer representing more than 3% of the Parent Company's revenue.

Liquidity risk management

Liquidity risk is the risk that the Parent Company is unable to meet its financial obligations as they fall due. In order to minimise this risk, the Parent Company seeks to balance certainty of funding and a flexible, cost-effective borrowing structure. The key sources of finance are the RCF and USPP facility providing the Parent Company with £225m of facilities as at 31 December 2023. Should it be needed, the RCF includes an accordion which the Parent Company can exercise to increase by up to a further £25m. The Parent Company also maintains cash balances which are more than sufficient to meet the requirements of the working capital cycle taking into account the seasonality of the business. In March 2024, the Parent Company enacted changes to its financing arrangements in order to more appropriately match the facilities to the Parent Company's needs. Refer to page 133 for more details.

To manage liquidity risk the Parent Company prepares and reviews rolling monthly cash flow forecasts, actual cash and debt positions along with available facilities and headroom which are reported monthly and monitored by Group management. In addition, full annual forecasts are prepared including cash flow and headroom forecasts. The Parent Company is in a good liquidity position and at 31 December 2023 held cash of £11.6m (2022: £13.7m), and had £103.0m (2022: £65.0m) of undrawn debt from the RCF.

Interest rate risk management

The Parent Company has exposure to movements in interest rates on its outstanding floating interest rate RCF debt. To reduce this risk the Parent Company monitors its mix of fixed and floating rate debt and, if required, uses derivative financial instruments to manage this mix. In 2023, the Group has entered into interest rate swap arrangements to swap a portion (£25m) of the floating interest rate debt with fixed rate debt on a 12 month tenor to 31 July 2024. The Group also has a £25m fixed rate, 5 year term debt arrangement under the USPP facility.

Notes to the Parent Company financial statements continued

Currency and interest rate risk profile of financial liabilities

The interest rate risk profile of the Parent Company's gross borrowings for the year was:

Currency	Total £'m	Floating rate financial liabilities £'m	Weighted average interest rates %
Sterling at 31 December 2023	120.5	95.5	6.6
Sterling at 31 December 2022	133.7	133.7	3.1

Interest rate sensitivity

At 31 December 2023, if interest rates had been 50 basis points higher and all other variables were held constant, it is estimated that the Parent Company's profit before tax would be approximately £0.5m lower (2022: £0.7m lower). This is mainly attributable to the Parent Company's exposure to interest rates on its variable rate borrowings and is based on the change taking place at the beginning of the financial year and held constant throughout the year.

Financial assets recognised in the statement of financial position and interest rate profile

All financial assets are short-term receivables and cash at bank. The cash at bank earns interest based on the variable bank base rate and is held with Barclays Bank plc.

Maturity of financial liabilities

The maturity profile of the carrying amount of the Parent Company's financial liabilities was as follows:

	Borrowings £'m	Other financial liabilities* £'m	2023 Total £'m
Within one year, or on demand	–	29.5	29.5
Between two and five years	120.5	63.1	183.6
Five years or more	–	31.1	31.1
	120.5	123.7	244.2

	Borrowings £'m	Other financial liabilities* Restated £'m	2022 Total Restated £'m
Within one year, or on demand	–	37.4	37.4
Between two and five years	133.7	75.1	208.8
Five years or more	–	29.3	29.3
	133.7	141.8	275.5

* Other financial liabilities include trade payables, accruals and amounts owing under leases.

The 2022 balances have been re-presented in line with 2023 disclosures to ensure consistency and to include the restated financial liabilities position as referred to on page 135. They have also been restated to reflect the relevant adjustments on pages 124 to 126.

Borrowing facilities

At 31 December 2022 the Parent Company's financing arrangements comprised of a six lender syndicated £200m 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 Parent Company.

On the 27 January 2023, the Parent Company extended the RCF maturity through to 30 April 2026. On the 28 March 2023, the Parent Company 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 Parent Company'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 Parent Company 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.

The interest rate profile and an analysis of borrowings is given on page 136.

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

Fair values of financial assets and financial liabilities

Excluding the USPP fixed rate notes, the Parent Company's financial assets and liabilities bear floating interest rates and are relatively short-term in nature. In the opinion of the Directors the book values of the assets and liabilities equate to their fair value.

The Parent Company holds derivative financial instruments such as interest rate swaps to hedge its exposure to interest rate risks arising from financing activities. The fair value of derivative financial instruments is derived from "mark-to-market" valuations obtained from the Parent Company's relationships with banks. As at 31 December the fair value of outstanding interest rate swaps was £0.1m.

46. Deferred tax

Summary of balances

	2023 £'m	2022 Restated £'m
Deferred tax liabilities	(22.7)	(23.4)
Deferred tax asset	2.0	3.1
Net position at 31 December	(20.7)	(20.3)

The main rate of corporation tax in the UK increased from 19% to 25% (effective 1 April 2023). The Parent Company's taxable profits for the accounting year ended 31 December 2023 will be subject to UK corporation tax at an effective rate of 23.5%. As the rate increase to 25% has been substantively enacted for some time the opening and closing deferred tax balances have been recognised at 25%.

The movement in the year in the Parent Company's net deferred tax position is as follows:

	2023 £'m	2022 Restated £'m
1 January	(20.3)	(16.8)
Charge to profit or loss for the year	(0.2)	(0.7)
Tax charge directly to equity	(0.2)	(0.5)
Acquisitions	–	(2.3)
31 December	(20.7)	(20.3)

The following are the major deferred tax liabilities and assets recognised by the Parent Company and the movements thereon during the year:

Refer to pages 124 to 126 for details of the restatement.

Notes to the Parent Company financial statements continued

Deferred taxation

	Assets 2023 £'m	Liabilities 2023 £'m	(Liabilities)/ assets 2023 £'m
Property, plant and equipment	–	(5.1)	(5.1)
Share based payments	–	–	–
Intangibles	–	(17.6)	(17.6)
Pension	–	–	–
IFRS 16	2.0	–	2.0
Assets / (liabilities)	2.0	(22.7)	(20.7)

	Assets 2022 £'m	Liabilities 2022 Restated £'m	(Liabilities)/ assets 2022 Restated £'m
Property, plant and equipment	–	(4.9)	(4.9)
Share based payments	0.9	–	0.9
Intangibles	–	(18.5)	(18.5)
Pension	–	–	–
IFRS 16	2.2	–	2.2
Assets / (liabilities)	3.1	(23.4)	(20.3)

The Parent Company has no unrecognised deferred tax balances relating to cumulative tax losses and other deductible temporary differences. At the balance sheet date, no deferred tax liability is recognised on temporary differences associated with investments and subsidiaries on the basis the Parent Company is in a position to control the timing of the reversal of these temporary differences, it is probable that they will not reverse in the foreseeable future and ultimately no tax liabilities are expected to arise as a result of their reversal.

Analysis of net deferred tax assets and liabilities

	1 January 2023 Restated £'m	Recognised in profit £'m	Recognised in equity £'m	Arising on acquisition £'m	31 December 2023 £'m
Property, plant and equipment	(4.9)	(0.2)	–	–	(5.1)
Share based payments	0.9	(0.7)	(0.2)	–	–
Intangibles	(18.5)	0.9	–	–	(17.6)
IFRS 16	2.2	(0.2)	–	–	2.0
	(20.3)	(0.2)	(0.2)	–	(20.7)

Refer to pages 124 to 126 for details of the restatement.

	1 January 2022 Restated £'m	Recognised in profit £'m	Recognised in equity £'m	Arising on acquisition £'m	31 December 2022 £'m
Property, plant and equipment	(3.9)	(1.0)	–	–	(4.9)
Share based payments	1.6	(0.2)	(0.5)	–	0.9
Intangibles	(17.1)	0.9	–	(2.3)	(18.5)
IFRS 16	2.6	(0.4)	–	–	2.2
	(16.8)	(0.7)	(0.5)	(2.3)	(20.3)

47. Provisions

	2023 £'m	2022 Restated £'m
1 January	13.5	7.1
Released	(3.2)	(0.1)
Additional provision	5.3	6.5
31 December	15.6	13.5

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 £0.6m.

Provisions are analysed as follows:

	2023 £'m	2022 Restated £'m
Current	3.2	1.4
Non-current	12.4	12.1
Total	15.6	13.5

Refer to pages 124 to 126 for details of the restatement.

48. Share capital

	2023 £'m	2022 £'m
Authorised:		
199,000,000 (2022: 199,000,000) ordinary shares of 5p each	10.0	10.0
Allotted, issued and fully paid:		
136,924,067 (2022: 136,924,067) ordinary shares of 5p each	6.8	6.8

The issued ordinary share capital is as follows:

Date	Number of ordinary shares	Issue price
1 January 2022	136,674,067	
26 August 2022	250,000	5.0p
31 December 2022	136,924,067	
31 December 2023	136,924,067	

No ordinary shares were issued during the year (2022: 250,000 ordinary shares) to fund the Group's Employee Benefit Trust in order to settle some of the Group's share options which were exercised during the year.

49. Cash generated from operating activities

	2023 £'m	2022 £'m
Profit before tax	11.0	15.5
Depreciation of property, plant and equipment and right-of-use assets	21.6	18.2
Amortisation of intangible assets	5.9	5.9
Net finance costs	8.6	6.7
Share-based payments (credit)/charge (including related NI)	(0.5)	1.5
Share-based payment settlement	(0.6)	–
Decrease/(increase) in inventories	0.3	(0.3)
Increase in trade and other receivables	(5.3)	(5.4)
Increase in trade and other payables	7.4	2.3
Cash generated from operating activities	48.4	44.4

50. Share-based payments

Details of the share-based payments are given in note 30.

51. Dividends

Details of dividends are given in note 11.

52. Directors and employees

Staff costs during the year	2023 £'m	2022 £'m
Wages and salaries	32.6	28.2
Social security costs	3.3	3.2
Other pension costs	1.0	1.0
Share-based payments charge	(0.5)	1.5
	36.4	33.9

Average monthly number of employees during the year	2023 Number	2022 Number
Directors	2	2
Management	17	25
Administration	159	131
Operatives	800	820
	978	978

Total amounts for Directors' remuneration and other benefits	2023 £'m	2022 £'m
Emoluments for Directors' services	1.5	1.4
Directors' remuneration shown above included the following amounts in respect of the highest paid Director:		
Salary and benefits	0.3	0.7

Key management compensation	2023 £'m	2022 £'m
Short-term employment benefits	4.6	4.2
Social security costs	0.6	0.7
Post employment benefits	0.2	0.2
Other benefits	0.1	0.1
Share-based payments charge	(0.5)	1.5
	5.0	6.7

The key management of the Parent Company are management attending senior leadership team meetings.

53. Capital commitments

Capital expenditure	2023 £'m	2022 £'m
Contracted for but not provided in the financial statements	0.3	4.7

54. Contingent liabilities

The Parent Company has entered into a bank cross guarantee. The guarantee amounts to £97.8m at 31 December 2023 (2022: £103.5m). The assets of the Parent Company are pledged as security for the borrowings, by way of a fixed and floating charge.

As at the balance sheet date, the Parent Company had outstanding obligations under customer guarantees and claims of up to £nil (2022: £nil).

As disclosed within note 39, subsidiary undertakings that are fully owned trading companies and holding companies have taken exemption available under Section 479A of the Companies Act 2006 in respect of the requirement for audit. As a condition of the exemption, the Parent Company has guaranteed the year end liabilities of the entity until they are settled in full.

55. Related party transactions and controlling party

Transactions with related parties

The following transactions occurred with related parties

	2023 £'m	2022 £'m
Dividends received from subsidiary undertakings	–	3.6
Sales and purchases of services		
Provision of management services and sales to subsidiary	5.3	6.9
Purchases from subsidiary undertakings	(2.2)	(1.3)
Interest charges and payments		
Net interest charges to subsidiaries	4.1	2.7

56. Post balance sheet event

Details of post balance sheet events are given in note 35.

Notice of Annual General Meeting

Restore plc

Notice is hereby given that the Annual General Meeting of Restore plc (the "Company") will be held at the offices of Investec Bank plc at 30 Gresham Street, London, EC2V 7QP on 16 May 2024 at 1.00pm for the following purposes:

Ordinary business

1. To receive the Company's annual accounts for the financial year ended 31 December 2023, together with the Directors' report and the auditors' report on those accounts.
2. To re-appoint PricewaterhouseCoopers LLP as auditors to the Company to hold office from the conclusion of the meeting until the conclusion of the next annual general meeting at which accounts are laid.
3. To authorise the Directors to set the auditors' remuneration.
4. To appoint Charles Skinner as a Director of the Company.
5. To appoint Dan Baker as a Director of the Company.
6. To re-appoint Jamie Hopkins, who retires by rotation pursuant to the Company's articles of association, as a Director of the Company.
7. To re-appoint Susan Davy, who retires by rotation pursuant to the Company's articles of association, as a Director of the Company.
8. To re-appoint Lisa Fretwell, who retires by rotation pursuant to the Company's articles of association, as a Director of the Company.
9. To declare a final dividend of 3.35 pence per ordinary share in respect of the year ended 31 December 2023. This dividend will be paid on 9 July 2024 to the holders of ordinary shares at 6pm on 7 June 2024 (the ex-dividend date being 6 June 2024).

Special business

As special business, to consider and, if thought fit, to pass the following resolutions which will be proposed as to resolution 10 as an ordinary resolution and as to resolutions 11, 12 and 13 as special resolutions:

10. That the Directors be and they are hereby generally and unconditionally authorised in substitution for all existing authorities (but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities) to exercise all the powers of the Company to allot equity securities (as defined in section 560 of the Companies Act 2006 (the "Act")) up to an aggregate nominal amount of £2,282,067.75 (being 45,641,355 ordinary shares of 5 pence each) provided that this authority shall, unless renewed, expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or if earlier on the date which is 15 months after the date of this annual general meeting, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offers agreements as if the authority conferred by this resolution had not expired.
11. That, subject to the passing of resolution number 10 above, the Directors be and they are hereby empowered, pursuant to section 570 of the Act, to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred by resolution number 10 or by way of a sale of treasury shares as if section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to:

    11.1 the allotment of equity securities in connection with a rights issue or other pro rata offer in favour of holders of equity securities where the equity securities respectively attributable to the interests of all those persons at such record dates as the Directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held by them subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with treasury shares, fractional entitlements, record dates, practical or legal difficulties under the laws of any territory or the requirements of any regulatory body or stock exchange or by virtue of equity securities being represented by depositary receipts or any other matter whatsoever;

    11.2 the allotment of equity securities or sale of treasury shares (otherwise than pursuant to paragraph 11.1 above) up to an aggregate nominal amount of £684,620.30; and

    11.3 the allotment of equity securities or sale of treasury shares (otherwise than under paragraph 11.1 or paragraph 11.2 above) up to a nominal amount equal to 20% of any allotment of equity securities or sale of treasury shares from time to time under paragraph 11.2 above, such authority to be used only for the purposes of making a follow-on offer which the Board of the Company determines to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

    and shall expire upon the expiry of the general authority conferred by resolution 10 above, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted and/or shares held by the Company in treasury to be sold or transferred after such expiry and the Directors may allot equity securities and/or sell or transfer shares held by the Company in treasury in pursuance of such offers or agreements as if the power conferred by this resolution had not expired.
12. That, subject to the passing of resolution number 10 above, the Directors be and they are hereby empowered, pursuant to section 570 of the Act, to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred by resolution number 10 or by way of a sale of treasury shares as if section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to:

Notice of Annual General Meeting continued

12.1 the allotment of equity securities or sale of treasury shares up to an aggregate nominal amount of £684,620.30, such authority to be used only for the purposes of financing (or refinancing, if such refinancing occurs within six months of the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice; and

12.2 the allotment of equity securities or sale of treasury shares (otherwise than under paragraph 12.1 above) up to a nominal amount equal to 20% of any allotment of equity securities or sale of treasury shares from time to time under paragraph 12.1 above, such authority to be used only for the purposes of making a follow-on offer which the Board of the Company determines to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

and shall expire upon the expiry of the general authority conferred by resolution 10 above, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted and/or shares held by the Company in treasury to be sold or transferred after such expiry and the Directors may allot equity securities and/or sell or transfer shares held by the Company in treasury in pursuance of such offers or agreements as if the power conferred by this resolution had not expired.

13. That the Company be and is hereby generally and unconditionally authorised, in accordance with section 701 of the Act, to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 5 pence each in the capital of the Company ("Ordinary Shares") on such terms and in such manner as the Directors may from time to time determine provided that:

13.1 the maximum number of Ordinary Shares authorised to be purchased is 13,692,406;

13.2 the minimum price which may be paid for each Ordinary Share is 5 pence (exclusive of expenses payable by the Company); and

13.3 the maximum price which may be paid for each Ordinary Share (exclusive of expenses payable by the Company) cannot be more than 105 per cent of the average market value of an Ordinary Share for the five business days prior to the day on which the Ordinary Share is contracted to be purchased.

The authority conferred shall expire at the conclusion of the next annual general meeting of the Company or if earlier on the date which is 15 months after the date of this annual general meeting except that the Company may before such expiry make a contract to purchase its own shares which will or may be completed or executed wholly or partly after such expiry.

By order of the Board

Chris Fussell
Company Secretary
13 March 2024

Registered Office
The Databank
Unit 5
Redhill Distribution Centre
Salbrook Road
Redhill
Surrey RH1 5DY

PLEASE NOTE:

You will not receive a form of proxy for the Annual General Meeting in the post. Instructions on how to vote electronically and how to register are detailed in the Notes. You will still be able to vote in person at the Annual General Meeting, and may request a hard copy proxy form directly from the registrars, **Link Group, PXS1, Central Square, 29 Wellington Street, Leeds, LS1 4DL at shareholderenquiries@ linkgroup.co.uk** (telephone number: 0371 664 0391 if calling from the United Kingdom, or +44(0)371 664 0391 if calling from outside the United Kingdom). Calls are charged at the standard geographical rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.

Notes: These notes are important and require your immediate attention.

1. Only those members entered on the register of members of the Company at close of business on 14 May 2024 or, in the event that this meeting is adjourned, in the register of members as at close of business on the day two days before the date of any adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their names at that time. Changes to the entries on the register of members by the close of business on 14 May 2024 or, in the event that this meeting is adjourned, in the register of members before the close of business on the day two days before the date of the adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
2. A Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint another person of his/her choice as that Shareholder's proxy to exercise all or any of that Shareholder's rights to attend and to speak and vote at the meeting on his/her behalf. A Shareholder may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that Shareholder. A proxy does not need to be a shareholder of the Company.
3. In the case of joint holders, the vote of the senior member who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of any other of the joint holders. For these purposes, seniority shall be determined by the order in which the names stand on the register of members.
4. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.
5. You can vote either:
   - by logging on to www.signalshares.com and following the instructions;
   - by requesting a hard copy form of proxy directly from the registrars, Link Group, at shareholderenquiries@linkgroup.co.uk or on Tel: 0371 664 0391 if calling from the United Kingdom, or +44(0)371 664 0391 if calling from outside the United Kingdom. Calls are charged at the standard geographical rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales;
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below;
   - if you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform.

   In order for a proxy appointment to be valid a form of proxy must be completed. In each case the form of proxy must be received by Link Group at PXS1, Central Square, 29 Wellington Street, Leeds, LS1 4DL by 1.00 p.m. on 14 May 2024.
6. If you return more than one proxy appointment, either by paper or electronic communication, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all Shareholders and those who use them will not be disadvantaged.
7. The return of a completed form of proxy, electronic filing, proxy vote via Proxymity or any CREST Proxy Instruction (as described in note 11 below) will not prevent a shareholder from attending the Annual General Meeting and voting in person if he/she wishes to do so.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held at 1.00 p.m. on 16 May 2024 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & International Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent, Link Group (CREST Participant ID: **RA10**), no later than 48 hours before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
10. CREST members and, where applicable, their CREST sponsor or voting service provider should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this

Notice of Annual General Meeting continued

connection, CREST members and, where applicable, their CREST sponsor or voting service provider are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

11. Proxymity Voting – if you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 1.00 p.m. on 14 May 2024 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.
12. Unless otherwise indicated on the Form of Proxy, CREST, Proxymity or any other electronic voting instruction, the proxy will vote as they think fit or, at their discretion or withhold from voting.
13. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
14. Any shareholder attending the Annual General Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
15. You may not use any electronic address (within the meaning of Section 333(4) of the Companies Act 2006) provided in either this Notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.
16. Copies of all service agreements or letters of appointment under which the Directors of the Company are employed or engaged by the Company will be available for inspection at the Company's registered office during normal working hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this notice until the date of the Annual General Meeting and at the place of the Annual General Meeting for 15 minutes prior to and during the meeting.
17. Biographical details of each director who is being proposed for re-appointment or re-election by shareholders can be found by visiting the Company's website www.restoreplc.com.

EXPLANATION OF RESOLUTIONS

Resolution 10 – authority to allot shares

At the last annual general meeting of the Company held on 16 May 2023, the Directors were given authority to allot ordinary shares in the capital of the Company up to a maximum nominal amount of £2,282,067.75 representing approximately one third of the Company's then issued ordinary share capital.

The Directors consider it appropriate that a further authority be granted to allot ordinary shares in the capital of the Company up to a maximum nominal amount of £2,282,067.75 representing approximately one third of the Company's issued ordinary share capital as at 12 March 2024 (the latest practicable date before publication of this document) during the shorter of the period up to the conclusion of the next annual general meeting in 2025 or 15 months.

As at the date of this notice the Company does not hold any ordinary shares in the capital of the Company in treasury.

Resolution 11 – disapplication of statutory pre-emption rights

Resolution 11 will empower the Directors to allot ordinary shares in the capital of the Company for cash on a non-pre-emptive basis:

- in connection with a rights issue or other pro-rata offer to existing shareholders;
- otherwise, up to a maximum nominal value of £684,620.30, representing approximately 10 per cent of the issued ordinary share capital of the Company as at 12 March 2024 (the latest practicable date before publication of this document); and
- otherwise, up to a nominal amount equal to one fifth of any allotment pursuant to the bullet point above, to be used only for the purposes of a follow-on offer.

Resolution 12 – disapplication of statutory pre-emption rights to finance an acquisition or other capital investment

In addition to the powers granted by Resolution 11, Resolution 12 will empower the Directors to allot ordinary shares in the capital of the Company for cash on a non-pre-emptive basis:

- up to a maximum nominal value of £684,620.30, representing approximately 10 per cent of the issued ordinary share capital of the Company as at 12 March 2024 (the latest practicable date before publication of this document), such authority to be used only for the purposes of financing (or refinancing, if such financing occurs within six months of the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles of Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice; and

- otherwise, up to a nominal amount equal to one fifth of any allotment pursuant to the bullet point above, to be used only for the purposes of a follow-on offer.

The rights of pre-emption disapplication sought pursuant to Resolutions 11 and 12 represent, in aggregate, approximately 20% of the issued ordinary share capital of the Company as at 12 March 2024.

Resolution 13 – authority to make market purchases of own shares

Resolution 13 gives the Company authority to buy back its own ordinary shares in the market as permitted by the Companies Act 2006. The authority limits the number of shares that could be purchased to a maximum of 13,692,406 (representing approximately 10 per cent of the Company's issued ordinary share capital as at 12 March 2024 (the latest practicable date before publication of this document)), and sets minimum and maximum prices. This authority will expire at the conclusion of the next annual general meeting or, if earlier, 15 months after the resolution is passed.

The Directors have no present intention of exercising the authority to purchase the Company's ordinary shares but will keep the matter under review, taking into account the financial resources of the Company, the Company's share price and future funding opportunities. The authority will be exercised only if the Directors believe that to do so would be in the best interest of shareholders generally.

Companies purchasing their own shares are allowed to hold them in treasury as an alternative to cancelling them. No dividends are paid on shares whilst held in treasury and no voting rights attach to treasury shares.

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Trading record

Year ended 31 December	2023 £'m	2022 £'m	2021 £'m	2020 £'m	2019 £'m
Revenue	277.1	279.0	234.3	182.7	215.6
Adjusted profit before taxation*	30.3	41.0	38.1	23.2	35.6
Adjusted earnings per share	17.0p	24.3p	23.2p	15.0p	23.2p
Net debt	97.8	103.5	100.8	66.1	88.5
Net assets	232.1	273.2	265.2	218.6	218.5

* Adjusted profit before taxation is stated before amortisation, impairment of intangible assets and investments, and adjusting items.

2024 Financial calendar

Annual General Meeting	16 May 2024
Half year results	July/August 2024
Financial year end	31 December 2024
Full year results	March 2025

Restore

Records Digital Technology Datashred Relocation

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